FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,590 | Tuesday April 2 1985 | D 8523 B

EEC ideal comes a little closer, Page 22

World news | Business summary

Duarte claims election victory

President José Napoleón Duarte's ruling Christian Democrats claimed a decisive victory in El Salvador's national assembly elections. In early, unofficial projections they looked set to gain an overall majority in the legislature, which had been controlled for the past three years by the country's powerful far Right.

A victory for President Duarte would be interpreted as a clear mandate for his peace initiative to end the five-year-old civil war with the country's left-wing insurgents by political negotiations and for his reform programme in the countryside. Page 24

Iraqi air attacks

Iraqi warplanes killed at least 22 people and wounded 76 in attacks on two residential areas of Tehran. Iran gave no indication that it planned to accept an offer of mediation in the Gulf War from Javier Perez de Cuéllar, United Nations Secretary-General. Page 5

Langa inquiry

The commander of the South African police who killed 19 black people at Langa last month told a judicial inquiry that he had seen only one woman throw a stone before he gave the order to shoot.

U.S. defence audit

U.S. House of Representatives Armed Services Committee is to audit seven big defence contractors after overcharging scandals involving General Electric and others. Page 6

Body found

The body of Fr Nicholas Kluiters, the Dutch Jesuit priest kidnapped in Lebanon's Bekaa Valley on March 14, was found near a village north of Baalbek.

Assassination bid

Liberian leader Samuel Doe escaped unharmed when his jeep was shot at in an assassination attempt outside the executive mansion in Monrovia.

Strikers defiant

At least 100,000 Danish workers defied a government order and remained on strike for the eighth day. The dispute, over wages, has crippled the Danish economy. Page 24

Doctors strike

A further 700 doctors at two hospitals in Khartoum came out on strike in protest over alleged police brutality in quelling food riots last week. Striking doctors claimed that several colleagues had been arrested. Page 5

Soviet arms talks

P. V. Narasimha Rao, India's Defence Minister, met Soviet military leaders in Moscow for talks about the purchase of Soviet weapons.

Students shot

Israeli security forces shot and wounded four Palestinian students at Bethlehem University on the occupied West Bank.

Polish price rises

Polish authorities imposed the second round of price rises within a month in the face of opposition from the banned Solidarity labour movement and the officially sponsored trade unions. Page 3

'Threat' to Opec

Sheikh Ali Khalifa al-Sabah, Kuwait's Oil Minister, attacked Opec countries' use of barter deals to sell oil. He said they posed the "gravest threat" to Opec.

Rugby tour doubt

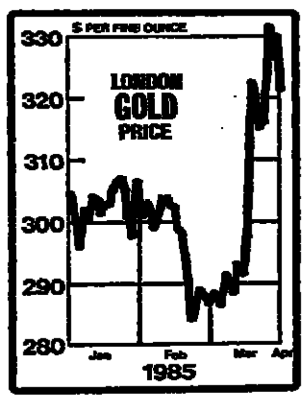
David Lange, New Zealand Prime Minister, called for the cancellation of the proposed tour of South Africa by the All Blacks rugby team.

Call for German offshore banking

WEST GERMANY should allow the creation of "offshore" banking cents in its territory to boost its role in international finance, Dr Walter Seipp, chief executive of Commerzbank, said. Page 24

DOLLAR was firmer in London, rising to DM 3.12 (DM 3.0825), SwFr 2.64 (SwFr 2.6025), FFr 9.47 (FFr 9.405) and Y252.65 (Y251.05). On Bank of England figures, the dollar's exchange index rose to 146.6 from 145.9. Page 45

STERLING was mixed in London, falling 1.5 cents to $1.2225. It also weakened to FFr 11.59 (FFr 11.655) and Y308.5 (Y310.0), was unchanged at DM 3.81 and improved to SwFr 3.23 (SwFr 3.215). The pound's exchange index was unchanged at 77.2. Page 45



GOLD fell $8.875 on the London bullion market to close at $321.125. It was also weaker in Zurich at $321.25. Page 44

LONDON equities attempted to rally but the FT Ordinary index finished 0.5 down at 963.8. Gilts moved lower. Section III

WALL STREET: By 2pm, the Dow Jones industrial average was up 3.54 to 1,270.32. Section III

TOKYO shares moved ahead with the Nikkei Dow market average reaching another record with a gain of 86.95 to 12,677.15. Section III

WEST GERMANY cut tax on unleaded petrol in a move to encourage low-pollution cars. Unleaded petrol was reduced by two pfennigs a litre (2.3 cents a U.S. gallon), while ordinary-grade leaded petrol rose by the same amount.

ISRAEL: Goods and services prices were raised by 20 per cent and frozen for two months as part of the Government's effort to control inflation. Page 5

CANADIAN Government is planning the sale of three state-controlled companies, Canadair, de Havilland Aircraft of Canada and Eldorado Nuclear, the uranium producer. Page 25

U.S. SENATE finance committee will today consider legislation requiring retaliation against imported Japanese telecommunications, electronics and motor industry products. Page 7

NEW ORDERS received by U.S. factories fell by 0.2 per cent in February as a result of the drag on the economy caused by rising imports. It is the seventh such decline in the past 11 months.

COMMERZBANK'S interest earnings fell but commission income rose in the first two months. Page 25

FCA, the troubled U.S. financial group that owns the country's largest savings and loan association, reported losses of $512.1m for the fourth quarter and $590.5m for the full year. Page 25

SNECMA, the French state-owned aircraft engine manufacturer, produced 1984 earnings of FFr 40m ($4.08m), compared with a loss of FFr 38.5m. Page 27

WE REGRET North American stock market listings were not available for this edition due to a communication failure.

U.S. warns Europe on independent defence stance

THE U.S. Administration has officially expressed concern about new attempts being made by European governments to co-ordinate their defence and arms control policies, writes Bridget Bloom, Defence Correspondent, in London.

Mr Richard Burt, the senior U.S. official in charge of European affairs at the State Department, is understood to have sent a letter to the seven member governments of the Western European Union (WEU) cautioning them not to try to reach a common position on arms control matters outside the Nato framework.

The letter followed a meeting held between senior foreign office officials of the seven countries in Bonn in February. The meeting was the first of its kind within the WEU, the 30-year-old organisation which the seven governments last year decided to revive in an effort to strengthen European defence co-operation.

The foreign and defence ministers of the WEU will hold their first main meeting of the revived organisation in Bonn on April 22-23. The Bonn session of WEU officials was preparatory to the April meeting but it is also believed to have discussed the possibility of institutionalising defence co-operation at official level, much as, for example, the political directors of member countries of the EEC hold regular consultations.

European officials say their February meeting reached few conclusions. Even before the letter from Mr Burt had been received, they apparently decided to await ministerial approval for any future meeting.

The issue has, however, struck a raw nerve in the tense relations between Europe and the U.S. Some European officials believe the sharp U.S. response means that Washington is prepared to see a revival of WEU only on its own terms. It accepts that Europe should use the WEU as a means of improving its contribution to Nato's conventional defences but not as a vehicle for co-ordinating its policies on more sensitive issues, such as the controversial Strategic Defence Initiative (SDI) – the so-called star wars programme.

Some European governments see such co-ordination as particularly important in the light of the recent U.S. invitation that they should participate in the $26bn research phase of SDI.

The seven governments in WEU have long been aware of American sensitivity on the issues of European defence co-operation. They have sought publicly and privately to present the revival of WEU as a means of strengthening the "European pillar" of the Nato alliance as a whole and as in no way an anti-American gesture.

In the past, Washington has publicly welcomed these statements and has appeared to encourage WEU's revival, but the speedy and sharp reaction to what appears to have been rather an inconclusive meeting in Bonn, seems to put clear limits on U.S. support for the relaunched WEU.

The tough and hitherto private U.S. reaction helps to explain why officials and ministers alike are treating the forthcoming WEU ministerial meeting with such caution.

Ministers are expected to approve the report of a working group that has recommended changes in WEU's structure. Those are intended to put new political impetus behind the moves to step up the co-operative production of arms, as well as to strengthen co-operation on arms control and disarmament.

The appointment of a new Secretary-General, the respected Mr Alfred Kahen, the political director in the Belgian Foreign Office, is also foreseen.

Old rivalries dog Nato, Page 2; Defence budget cuts, Page 6

Germany holds key to farm prices accord

By Ivo Dawnay in Luxembourg

EEC FARM ministers resumed their talks on farm prices for 1985-86 yesterday in the knowledge that any hopes of a breakthrough depend largely on a change in attitude from their West German colleague, Herr Ignaz Kiechle. The signs were not good, however.

Herr Kiechle appears to be sticking firm to his belief that West German farmers have suffered enough, despite a visit to his Bavarian farm over the weekend by his friend Sig Filippo Pandolfi, Italian president of the Agriculture Council.

The West German minister's position is understandable, however, as on it may hang his political future.

During the past few months, he has repeatedly assured West German farmers that they will not face any cuts in cereals prices this year. His reasoning is rooted in figures which show falls in West German farm incomes over the past decade in comparison with other Community farmers. This is largely a result of agri-monetary factors and relatively higher rents and land prices.

According to the Government, farm incomes fell by a dramatic 18.2 per cent in 1983-84, and improved by less than 10 per cent last year despite substantial direct aid from Bonn worth 5 percentage points.

Herr Kiechle is also weighed down by broader political pressures. As a member of Herr Franz Josef Strauss's strongly agricultural Christian Socialist party, he has suffered intense criticism for approving the punitive superlevy agreed by ministers last year on excess milk production.

Consequently, with some backing from the Benelux countries, he is now fighting to revoke an agreement to a further 1m tonne cut in Community output for 1985-86.

The Christian Democrats – senior partners in Bonn's coalition – are also determined not to have to add further to the DM 18bn ($5.7bn) state aid for a seven-year programme which was agreed at last June's Fontainebleau summit in the face of opposition from Community partners.

Despite these pressures, Herr Kiechle finds himself up against a largely unsympathetic Farm Council. The European Commission's price proposals – valued overall at an average 0.3 per cent rise in Euro-

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Spaniards look at the EEC; Lisbon celebrates, Page 3; EEC enlargement, Page 22
Problems for dairy machine makers, Page 15

Lawson says strength of £ justified cut in base rates

BY PHILIP STEPHENS AND MAX WILKINSON IN LONDON

MR NIGEL LAWSON, the UK Chancellor of the Exchequer, declared yesterday that the recent falls in British interest rates had been "fully justified" by sterling's strong gains against other leading currencies.

His comments were seen in the London markets as indicating that the Government would like to see Barclays and Midland Banks join the two other leading UK clearing banks, National Westminster and Lloyds, in lowering their base lending rates to 13 per cent.

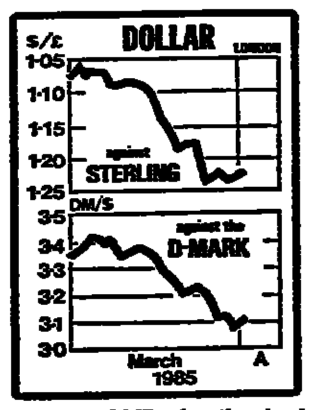
Mr Robin Leigh Pemberton, Governor of the Bank of England, made clear, however, that the authorities remained wary of letting interest rates fall too quickly below that level because of inflationary pressures in the economy.

Mr Lawson, addressing the American Chamber of Commerce, said there was no "mechanical formula" to decide the appropriate combination of exchange rate and growth in the domestic money supply to keep financial policy on track.

The 10 per cent appreciation in the pound's value since late February made the very high levels to which interest rates were raised in January no longer necessary to maintain monetary conditions that will continue to bring down inflation.

Base rates rose to 14 per cent in January when the pound was under strong pressure on foreign exchange markets, but came down to 13½ per cent just after the budget before National Westminster announced the cut to 13 per cent last week.

Mr Leigh Pemberton told the all-party Treasury and Civil Service Committee of MPs that the rise in interest rates before the budget had been "substantially exaggerated by the situation in the exchange market."



He cautioned, however, that the recent strength of sterling did not mean that interest rates could come rapidly down again. The immediate prospects for inflation had worsened, partly because of the earlier weakening of the exchange rate but partly because wage costs had accelerated. He said he was also worried about the rapid increase in bank lending which had risen by 20 per cent in the past six months.

The Governor told the committee: "It is of the essence of the monetary framework... that if inflation rises, interest rates will be firm."

Mr Leigh Pemberton said he welcomed Mr Lawson's "re-statement" of the importance of the exchange rate as an indicator of monetary policy. That remark to the committee, although carefully qualified,

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Rome steps up bid to avoid wages referendum

By James Buxton in Rome

THE ITALIAN Government, reeling from the shock of last week's murder of a leading economist by left-wing terrorists, is stepping up efforts to avoid the referendum on wage indexation planned for June.

Professor Ezio Tarantelli, who was shot by the Red Brigades in Rome last week, was closely involved in the reform of the *scala mobile* wage indexation system and the Red Brigades made clear that it was because of that that he was killed.

The Government is hoping to defeat the aims of the re-emerging Red Brigades by reforming the indexation system by consensus. That would make the referendum unnecessary.

It is also trying to exploit the opposition Communist Party's unease over the murder, since it was they who campaigned for the referendum on last year's temporary cut in the *scala mobile*.

Sig Gianni De Michelis, the Minister of Labour, said at the weekend that a Bill would soon be presented to parliament to reform the *scala mobile* and thereby avoid the referendum. Although he gave no details, his proposal is believed to entail moving the system's triggering from three months to six months.

Such a Bill, however, can win parliamentary approval in time only if it has the support of the Communists. Sig de Michelis must also overcome the deep reservations of the employers and the divided union movement. Yesterday he resumed contacts with both sides of industry in an effort to get negotiations going.

The referendum has become inextricably tangled with the gathering campaign for the regional and municipal elections, to be held on May 12. Those elections will determine not only the fate of the 19-month-old government of Sig Bettino

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UK post strike looms after London walkout

BY DAVID GOODHART IN LONDON

BRITAIN'S postal system is threatened with national industrial action in a dispute which could disrupt air mail to and from the UK.

The country's largest sorting office, Mount Pleasant in London, was at a standstill last night after a strike by 700 postal workers.

They walked out in defiance of an injunction obtained yesterday by the Post Office under the Conservative Government's trade union legislation.

The action could spread throughout most of the postal system, although today's meeting of the executive of the Union of Communication Workers (UCW) may first recommend a national ballot on strike action.

The sorters at Mount Pleasant walked out when four of their colleagues were suspended by the Post Office for refusing to operate an optical character recognition (OCR) machine.

The machine has become the trigger for a much wider dispute between the Post Office and the UCW over working practice reforms and particularly management's intention to increase the number of part-time workers.

The Post Office underlined its determination to introduce the package of changes – with or without union agreement – by successfully applying for an injunction under the terms of the 1984 Trade Union Act because of the failure by the union to hold a strike ballot.

Mr Alan Tuffin, the UCW general secretary, however, said last night: "I will be recommending to the executive today that we hold a ballot at Mount Pleasant."

As the injunction extends to any further action by UCW members without a ballot, the traditionally pragmatic UCW leadership may also decide to back a national strike ballot.

Even backed by a positive ballot result, the union has little chance of winning a dispute against a determined employer fully backed by a Government which has indicated its readiness to suspend the Post Office's monopoly on the movement of mail.

Britain's more than 100 special delivery companies were last night reported to be already gearing up for a boom in business.

In Parliament an attempt by a Labour MP, Mr John Ryman, to call for an emergency debate on the issue was turned down by the Speaker of the House of Commons. A number of Conservative MP's have been pressing for privatisation of the Post Office, but no decision has been taken by the Cabinet. The most likely part of its operations to go to the private sector would be National Girobank.

Mount Pleasant handles about 18m letters a week. Its effective closure means that air mail routed through London's Heathrow and Gatwick airports will have to be diverted and, thus, probably delayed.

The action will immediately hit mail from London to elsewhere in the UK and to London and south-east England from other parts of Britain.

Mr Keith Baldry, Mount Pleasant controller, said efforts were being made to divert mail due to pass through the office to other sorting

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Belgian and French groups buy Westinghouse stake in ACEC

BY PAUL CHEESERIGHT IN BRUSSELS

THE NEW advanced-technology alliance of Compagnie Générale d'Électricité (CGE), the state-owned French engineering and electronics conglomerate, and Société Générale de Belgique, a broadly based holding company, is making its first industrial foray.

The two groups are taking control of ACEC, a leading Belgian engineering group which is in the process of transformation from a heavy industry specialist into the fields of telecommunications, robotics and biotechnology.

Westinghouse Electric of the U.S. is selling the two groups its 42 per cent stake in ACEC, it was announced yesterday. The price was not disclosed but is thought to be nominal.

Société Générale already holds 9.69 per cent of ACEC shares. That stake and the newly purchased shares are being placed in a holding company, 65 per cent owned by Société Générale and 35 per cent by CGE.

The two groups are also tightening the alliance they made last summer to foster high-technology developments in areas such as telecommunications by establishing another holding company in France. CGE will hold 65 per cent of the equity and Société Générale 35 per cent.

One of the first targets for the alliance, and its new acquisition, will be contracts for digital telephone equipment, worth some BFr 100bn ($1.61bn) which the Belgian authorities are due to start distributing next year.

CGE and Société Générale have already shown interest in those contracts, through CIT-Alcatel, the CGE subsidiary. ACEC is also a contender and has a co-operation agreement with L.M. Ericsson of Sweden. Most Belgian telephone exchange equipment has hitherto been supplied largely by subsidiaries of two U.S. groups, Bell Telephone and GTE-ATEA.

Westinghouse said yesterday that it was disposing of its ACEC stake because the holding no longer fitted in with its corporate development. But ACEC remains a licensee of Westinghouse and the two are together seeking nuclear power contracts in Egypt.

Westinghouse, which took a majority holding in ACEC in 1970 and has since run it down, has never received a dividend, however. ACEC has paid no dividends since 1968.

CONTENTS

Bridget Bloom looks at the crucial Anglo-German role in defence collaboration

Old rivalries dog Nato weapons co-operation

BRITAIN'S Tornado aircraft, being built jointly with Germany and Italy, cannot be re-armed at German (or Italian) air bases.

New German military helicopters will not be refuellable at British bases, since Nato allies cannot use each other's pressure refuelling equipment. Not even the pallets, which hold critical stocks in time of war, are of standard design between Britain and Germany or the other major allies; nor yet is bridge building equipment.

If these uncomfortable facts are taken as a guide—and they were instanced before a high level seminar on European defence co-operation in Bonn recently by both British and German officials—Anglo German defence co-operation has a very long way to go.

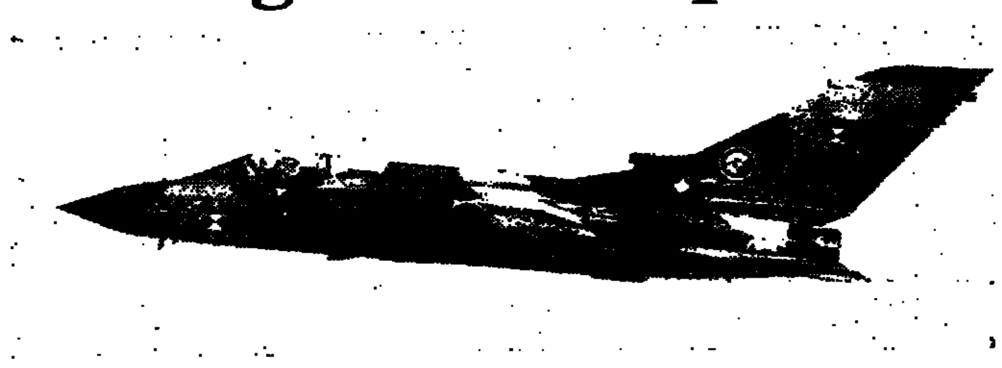
Yet in a formal opening speech to the seminar, Sir Julian Bullard, Britain's Ambassador to Bonn, spoke of Anglo-German defence relations in the most glowing terms. European multilateral defence co-operation was underpinned by a web of bilateral relationships, Sir Juian said, with Anglo-German co-operation providing an "impressive model both at the political and practical level." It offered, he said, a convincing response to American exhortations that the Europeans should "get their act together."

Which is the correct picture?

There is truth in both, of course. Anglo-German co-operation is a critical component of current efforts to strengthen defence collaboration between European members of Nato, and its limitations and achievements provide eloquent testimony to the difficulties that this will involve.

The Anglo-German seminar, jointly sponsored by the Deutsche Strategie Forum and the British Embassy, was a sign of the times.

The first of its kind, it was held in advance of two key ministerial meetings designed to give new impetus to European defence collaboration. On April 22, foreign and defence ministers of the seven nation Western European Union meet in Bonn to agree a new political structure for the 35-year-old organisation, while in June, Nato's European defence ministers will meet in the Independent European Programme Group (IEPG) to endorse a programme of action for much wider production of defence equipment.



The three-nation Tornado programme is claimed to be a greater success than is generally realised. But Britain's aircraft cannot be re-armed at the air bases of its West German and Italian partners in the project

Some observers believe these meetings represent a turning point in European defence collaboration: they hold that, against the background of the ever increasing cost of weapons systems, demanding economies of scale in production, as well as Europe's need to compete with U.S. defence industries, much more progress will be possible than in the past.

The present Anglo-German relationship illustrates some of the areas of promise, and of difficulty.

In some senses, the relationship is as Sir Julian Bullard describes it: the presence of nearly 72,000 British troops (including 11,000 RAF personnel) plus 100,000 dependents and other civilians, gives Britain a military presence second only to the U.S. with far fewer problems.

In the defence procurement field, however, progress has been patchy. Sir Julian Bullard noted that Germany spent more on equipment collaboration with the UK than with any other ally, but figures are hard to come by. Britain's overall trade in defence equipment (which is not the same thing) is put by Britain at about £500m last year. Certainly Anglo-German collaboration is dominated by the Tornado project: outside that, there are only four medium sized equipment programmes which involve Britain and Germany—though not on a bilateral basis.

Two of these—the MLRS or multi-launch rocket system, (Nato's updated answer to the Soviet Stalin organ) and the Sidewinder missile involve European production of American weapons. The successful Sidewinder programme, which also involves Italy and Norway, is giving way to split European-U.S. development of new advanced short range and medium range air-to-air missiles (known as ASRAAM and AMRAAM), although the American programme is now in some doubt.

Of the other two current projects, production of the Field howitzer 70 has done well, but its planned successor, the SP 70, a self-propelled howitzer, has been a disaster: 12 years in development, about £150m spent, with both technological problems and the lack of a prime contractor bedevilling current attempts to start production.

German and British ministers maintain that Tornado is a much more successful programme than is commonly allowed, both in terms of the aircraft's performance and the project's management.

Mr Adam Butler, British minister for defence procurement, noted Europe's need to progress from the present "ad hoc and patchy patterns of collaboration" to a more "systematic process for securing wider and more permanent collaboration" — a need certainly evident in the Anglo-German experience. Part of the problem is a difference of approach —officials say that overall Germany spends some 50-60 per cent of its equipment budget on collaborative projects, compared to Britain's 10-15 per cent, a figure which is partly explained by Britain's bigger defence industrial base.

Impressive lists of new projects on which collaboration is being studied exist in both Bonn and London. A few, like the third generation anti-tank weapon, have gone beyond the study phase, while others, like a new main battle tank for Nato, may not make progress for another generation.

For all the talk of giving defence collaboration new impetus, what is not yet clear is whether either political or industrial leaders of the main European countries are yet ready to overcome old rivalries. Perhaps in the end the most remarkable thing about the Anglo-German seminar was that the principal reason it was supported by the Foreign Office was apparently fear that Germany's burgeoning defence relationship with France would overshadow that with Britain.

Gen Sir Nigel Bagnall, commander of UK forces in Germany, put it most bluntly when he foresaw "a danger that Franco-German co-operation could result . . . . in an increasingly bilateral approach to defence co-operation" being developed between France and Germany which would mean, he claimed, that Britain would be "obliged to look elsewhere for collaboration ventures."

Anglo-French rivalry and mutual suspicion, at a bureaucratic and political as well as at an industrial level, is surely at the heart of Europe's difficulties over defence co-operation.

It has produced its own "eternal triangle" as the two nations vie for the favours of Germany and it now threatens to jeopardise the biggest project of all, the proposed new five nation European fighter aircraft, as the French and British aerospace industries struggle to see their ideas prevail and if possible to win over Germany to their cause.

Greens score another own goal

By Rupert Cornwell in Bonn

A ROW over sex with children has cast an unfortunate shadow over efforts by West Germany's left-wing Greens to close ranks before the crucial state election in North Rhine Westphalia in just over a month.

In a narrow sense, the argument was settled in Bonn over the weekend when a special congress of the party voted to overturn an earlier move by Green delegates in the state itself. That move would have demanded that such practices no longer being considered a criminal offence be made an explicit plank in their electoral programme. At present sex with children under 14 is illegal.

But the subsequent reversal came amid such tumult that many Greens fear that the lingering controversy may seriously jeopardise their party's attempt to secure the vital 5 per cent of the popular vote on May 12, which would ensure them representation for the first time in the regional parliament of West Germany's most populous state.

"We have got ourselves into a situation somewhere between plain lunacy and dangerous reaction," was one of the milder comments to be heard. The congress, often almost beyond control, was punctuated by exchanges, not only of abuse, but also of weaponry such as mustard tubes and water pistols, between the contending factions.

The rumpus is the second political own goal in as many months by the Greens, at a moment – for the first time in several years – when their popular appeal is showing signs of weakening.

Earlier this year the party laid itself open to criticism from all quarters when a group of its MPs appeared to take a sympathetic line to far-left terrorists, at the time of the murder of a leading aerospace industry executive by members of the Red Army Faction (RAF) extremist group.

That episode is widely credited to have contributed to the surprisingly poor showing of the Greens in the Saarland state election in February, when they failed ignominiously to reach the 5 per cent threshold, and in fact fared worse than five years earlier.

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Irish spending soars

BY BRENDAN KEENAN IN DUBLIN

THE IRISH Government may have a struggle to meet its financial targets for this year, according to first-quarter figures released yesterday. These show that more than half the targeted current deficit of Ir£1.2bn ($1.2bn), had been incurred in the first three months of 1985.

The Government has already raised half its total Ir£2bn Exchequer borrowing requirement for the year, over Ir£700m of which was borrowed abroad.

Officials stressed that first-quarter figures were not a reliable guide to the final outcome, and that technical factors had come into play. But they are worried that tax receipts have fallen about 5 per cent below target.

It is also the first time since 1982, when there was a massive overrun, that first-quarter figures have represented more than 50 per cent of the annual target. On this basis, Mr Alan Dukes, the Finance Minister, warned that a review of spending plans and taxation later in the year could not be ruled out.

EUROPEAN NEWS

Spaniards scrutinise EEC terms

BY DAVID WHITE IN MADRID

THE COMMON MARKET? "Of course I am interested," said Nicasio Lopez Blasco, a 36-year-old vendor, from behind a large neat pile of oranges. "But I *can't say I'm thrilled.*"

Now that the terms for Spanish and Portuguese membership have finally been agreed, many ordinary Spaniards are asking what they will get out of it.

"You tell me what will happen to my fruit stand," said Sr Lopez. "I don't know. until we are really in, we won't know what's going to happen."

The hardware man in the *same covered market* in Madrid was frankly worried. The introduction of value-added tax next year would be terrible, he said.

"Sweden, which is a very developed country, did not want to join," he pointed out. "There must be something behind it. Why should we, with all our problems, want to get in?"

The butcher was pleased Spain was about to join, but thought there would be no big changes. He would just be *getting more supplies* from abroad.

Sr Lopez, who heads the local market association, said nobody had discussed the implications because they were all in the dark. But he had his own theory.

"I think we are going to send all our fruit abroad. There will be no fruit here, and so prices will go up. The housewife, instead of buying two kilos of my fruit, will only buy a kilo and a half."

Politicians and the Press have been close to euphoric about the conclusion of negotiations, and Spaniards accustomed to travelling abroad relish the thought that they will soon no longer have to stand in the "aliens" queue at airport customs.

But, after weeks of hearing about hake quotas, wine surpluses and transitional tariffs, the man in the street still has only the vaguest idea about the EEC.

The images once conjured up by the word "Europe" were those of the tourists who began flooding into Spain in the 1960s, or of the high wages then easily available to emigrant workers: easy-going. leggy blondes and abundant D-marks. Now the one firm idea people have about it is high prices.

Some Spaniards—fishermen, small farmers, many small businessmen—fear for their livelihoods. And poorer regions that have been looking forward to the promise of EEC funds are beginning to re-assess their prospects. For a region such as Galicia in the northwest, predominantly of smallholders, with a big fisheries sector and a doomed shipyard industry, it is a hard coming-down-to-earth. Regional differences, instead of getting narrower in the Community, may end up growing.

Portugal races to implement wide reforms

BY DIANA SMITH IN LISBON

THE PORTUGUESE Government is starting sweeping civil service reforms in preparation for EEC accession. At the moment, according to Sr Rui Machete, the Deputy Premier, the civil service is in no position to respond to the demands of membership.

Completion of negotiations has ended eight years of marking time, with few efforts to tackle severe structural deficiencies. Now, the Soares Administration will race against the clock to implement long-needed measures in administration, industry and agriculture.

Financial compensation from the Community will help after accession to offset part of the impact of entry on Portugal as the poorest, least developed new member with disparate price structures where some farm prices are far higher than Community averages, and inefficient agriculture requiring grain imports from the U.S. of \$900m-\$1bn a year.

According to Sr Ernani Lopes, the Finance Minister, who led the last, hardest stage of negotiations, during the six years after accession Portugal will receive Ecu 1bn (£580m) to make it a net receiver not contributor. This will offset levies to be paid to the EEC on grain imports from non-EEC suppliers.

Also the Community will pay Ecu 1.25bn reimbursement for VAT and other contributions, and set up an industrial assistance programme similar to the Ecu 700m programme for Portuguese agriculture lasting ten years after membership.

Like agriculture, Portuguese industry is rife with diminutive, unproductive companies with limited ability to respond to EEC challenges. Bluntly, Sr Mario Soares, the Prime Minister, is saying that "whatever is obsolete will have to go." The social costs of this could be considerable.

Sr Lopes agreed that a serious problem caused by uneven agricultural productivity and prices, is safeguarding farmers' income during the 10-year gradual adjustment of prices to Community levels. Portuguese farming associations are already warning that agriculture could collapse after accession.

Portuguese Banking and Finance, Pages 11–14

Croatia boosts hard currency

By Aleksander Lebl in Belgrade

CROATIA, Yugoslavia's most heavily indebted republic, has boosted its hard currency earnings to the extent that it ran a \$320m current account surplus last year and reduced its debt since 1981 by \$800m to \$3bn, to Mr Ante Markovic, the Prime Minister said.

Croatia's problems were aggravated by the fact that INA, the Yugoslav oil company and the country's largest enterprise within its borders, borrowed heavily in the early 1980s to pay what amounted to the national oil import bill.

Police to halt Soviet corruption

BY PATRICK COCKBURN IN MOSCOW

ABOUT 9,000 extra police have been sent to the southern Soviet republic of Uzbekistan as part of the drive against corruption in the region.

There was an extensive purge of party leaders and government officials in Uzbekistan last summer, but a recent meeting of the republic's Communist Party led to "a number of district, regional and town party secretaries and heads of ministries" being dismissed, Pravda, the official Soviet newspaper, said yesterday.

The changes are part of the movement by Mr Mikhail Gorbachev, the new Soviet leader, to remove incompetent or corrupt party and administrative officials. Uzbekistan, with a population of more than 15m, had the same Communist leader from 1959 to 1983.

The Soviet press is giving extensive publicity to the activities of those who have been dismissed. A problem in Uzbekistan and the neighbouring republic of Armenia is that those removed are often reappointed to positions of equal authority by their friends.

Mr L. Mnatsakanian, a well-connected Armenian specialist in running zoos, became managing director successively of four different enterprises in two years in the republic's Ministries of Light Industry and Domestic Requirements, according to a press report yesterday.

The purge of party and government apparatus is still only in its early stages, but is expected to gather pace as the next party congress, scheduled for the end of the year, approaches.

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JEWISH LEADERS ABDUCTED

THE HEAD of Lebanon's small Jewish community, Mr Ishaq Sasson, is the latest victim in a wave of kidnappings in the Moslem-dominated half of the Lebanese capital, Our Beirut Correspondent reports.

Mr Sasson, who disappeared on his way home from Beirut airport on Sunday, was the fourth Jewish Lebanese resident to disappear mysteriously since last Friday.

The others were abducted by gunmen in the city's old Jewish quarter which is now a densely populated Shi'ite Moslem area, where refugees from South Lebanon have taken over empty houses.

Over 6,000 Jews lived in Beirut until the first Arab-Israeli war in 1967. Fewer than 100 remain. Police said the other three kidnapped were Dr Elie Hallak, deputy head of the community, Mr Haim Cohen, 39, and Mr Elie Srour, 68. No one has claimed responsibility so far.

Christian militias step up attacks around Sidon

BY NORA BOUSTANY IN SIDON

THE STREETS of this southern port city were deserted and grim yesterday after a weekend of battles in which Israeli-backed Christian militiamen *fought against* the Lebanese Army, Moslem militiamen and Palestinian guerrillas for the first time since the Israeli invasion of Lebanon in 1982.

Sidon's member *of parliament*, Dr Nazih Bizri said 40 people had been killed and about 100 wounded in the clashes. He said that 35 of the dead were from the Palestinian camps of Ain al Helweh and Mieh Mieh on the outskirts of *Sidon.*

Shelling had come from the Christian-held townships of Hlaliyeh, Qanan, Majdalyoung and Kfar Falous east of the port city.

Syria yesterday dispatched Maj. Gen. Mohammed al Kholy, the national security adviser of Syrian President Hafez Assad, with an urgent message to Lebanese president Amin Gemayel. Damascus has been mediating with Lebanese Moslem leaders to stall threats for "drastic action" over the communal violence in Sidon unless the Beirut Government sends *Lebanese Army* units to the embattled city. Yesterday, the Army Command decided to send 400 soldiers to Sidon.

Mr Fuad Siniora, a consultant for *Saudi Lebanese businessman* Mr Rafik Harir, and a former head of the Central Bank Control Commission, who comes from Sidon, said the Lebanese *Forces — the Christian militias* — were shelling the Palstinian refugee camps and the approach to Sidon "supported by the Israelis."

The Israeli-trained and equipped South Lebanon Army led my rebel commander Antoine Lahd is shelling from adjacent hills.

Severel senior Sidonese figures agreed the Israelis were behind the escalation. The aim, they claimed, was to show that the conflict was between *Palestinians* and Lebanese Christians and to encourage the bulk of *Christian residents in* the area to move to a southern border strip that would form a secure buffer zone north of the Israeli frontier.

Dr Bizri *said* the Israeli-backed militiamen were using artillery against the refugee camps, while guerrillas had nothing but small arms to fight back. Palestinian guerrillas, who had returned to the camp in the wake of the Israeli *withdrawal of February 16*, were using rusted machine-guns, which they said they had unearthed from where they had been buried during the Israeli invasion.

Some 30,000 residents of Ain al Helweh fled their flimsy *dwellings to the centre of* Sidon, where mosques and schools were opened to receive them. Mr Mohammed Zaatari, the head of the Sidon Chamber of Commerce and Industry said he had been evicted from his home by militamen.

Mr Rashid Karami, the Lebanese prime minister, charged that Israel was instigating the hostilities around Sidon to accelerate demographic *changes and to scare the* Christian community into leaving. Hundreds of families have already evacuated the city in fear of sectarian reprisals. Yesterday five Christians were kidnapped on their way into Sidon from the villages of Hajje and Adousiyeh, Dr Bizri said.

The Sunni Moslem deputy said the Israelis had dropped leaflets from helicopters over the last *few days* urging Christians to leave to the Jezzine area further south. He estimated that only 100 Palestinian fighters had returned to the *camps since* February to visit their families.

Israeli 'package deal' lets prices rise by up to 20%

BY TONY WALKER IN JERUSALEM

PRICES OF goods and services in Israel increased by up to 20 per cent yesterday under a "package deal" agreed to by political and trade union *leaders.*

Following yesterday's "across-the-board" increase prices will be frozen for two months as the Government of Mr Shimon Peres struggles to bring down inflation to a single-digit monthly rate.

Israel's Cabinet approved "package deal II" at its meeting on Sunday despite opposition from several ministers who wanted the increases deferred until after the Passover holiday.

Under the agreement almost all items in the economy go up by at least 7 per cent.

Mr Peres is reported to have argued strongly in Cabinet for *the immediate* implementation of the price rises, saying that under the package deal inflation would be further moderated and the balance of payments deficit reduced by $1.5bn.

● In a scathing report of Israel's land setlement policies *in the occupied* territories, a former deputy mayor of Jerusalem says that 52 per cent of the West Bank is now under total Israeli control.

Mr Meron Benvenisti, who heads a research group into land use in the West Bank, says the "*Israelis, by imposing direct* control over half of the West Bank, have actually created two spatially segregated regions, ethnically divided, separate and unequal."

The study found that the entire eastern third of the West Bank and considerable parts of its western side is "designated for the exclusive use of the Israelis." Almost half of the seized areas is for military purposes.

"The area seized satisfies both short- and long-term Israeli interests. Palestinian users and communal interests are *excluded.*"

The report charged that Israeli land control policies are aimed at encircling Arab areas and that the road network is not only designed to bypass Arab population centres, but also to fragment and dissect Arab *settlement regions.*

It said the legitimate requirements of 800,000 Arabs and their communal needs are consciously ignored and this reflects "explicit sectarian planning strategy."

Mr Benvenisti noted that in *1947 Jews controlled less than* 10 per cent of all of Mandatory Palestine. The position has now been reversed and the Arabs have been left with 15 per cent.

Security forces hold 17 in wake of Khartoum rioting

SUDAN'S security forces have arrested 17 people *for alleged* anti-government activity as doctors yesterday continued a strike to protest at what they believe was police brutality in handling last week's riots. Agencies report from Khartoum.

Troops yesterday continued to guard key installations in the capital, which was decribed as calm following the riots which broke out in protest against *price rises for* bread, fuel and other goods.

Meanwhile, however, informed sources Khartoum said that several professional unions had agreed to call a one-day general strike tomorrow to demand that President Jaafar Nimeiri step down. The President is currently visiting the U.S., where he was expected lat night to discuss with President Reagan the prospects for extra aid to support the country's depressed economy.

● Three seasons of serious and the big influx of refugees this year have brought Sudan to the brink of disaster, a UN *Food* and Agriculture Organisation report said yesterday.

The FAO World Food Programme report said production of the staple sorghum fell by 39 *per cent* last year, creating a deficit of at least 1m tonnes which had to be filled by donors urgently if famine was to be avoided. "... Five to seven *million* people (out of a population of more than 20m) risk starvation," a U.S. official in Khartoum said.

Due to dwindling grain stocks and poor *harvests* in most of Sudan's nine regions, prices of sorghum and millet, the second stable, had soared, the report said.

Iraqi air raid kills 15 in Tehran

By Our Middle East Staff

AT LEAST 15 people were reported to have been killed and 50 injured when Iraqi aircraft *again attacked* Tehran, the Iranian capital yesterday. Iraq says that it is determined to keep up its raids on Iranian cities until the Tehran regime agrees *to come to the negotiating table.*

Iran has responded by firing long-range rockets at Baghdad and shelling other Iraqi cities, particularly Basra in the south.

The Iranian Government has said that it is willing to receive *Mr Perez de Cuellar, the United* Nations Secretary General, who yesterday was in Saudi Arabia and is hoping to mediate in the conflict. But the Iranians made clear that they were only willing to discuss a partial ceasefire covering civilian targets and shipping in the Gulf.

Iraq claimed yesterday to have attacked another "large *naval target" in the Gulf*, but there was no independent confirmation and shipping sources said that vessels were loading normally at Kharg Island, Iran's main oil terminal.

Mr Tariq Aziz, Iraq's Foreign Minister, who is visiting Japan, *said yesterday that Iran had to* choose between a comprehensive war and a comprehensive peace.

John Elliott reports from New Delhi that the factional strife is far from over

Why Gandhi must ease tensions in Punjab

TWO YOUNG Sikhs knocked at the door of a Hindu politician in the Punjab state capital of Chandigarh a week *ago Sunday. They said they* wanted to return some books to the politician Krishan Lal Manchanda of the Bharatiya Janata party. Instead they shot *him dead with three bullets* in his chest and stomach, injuring his 11-year-old son in the bargain.

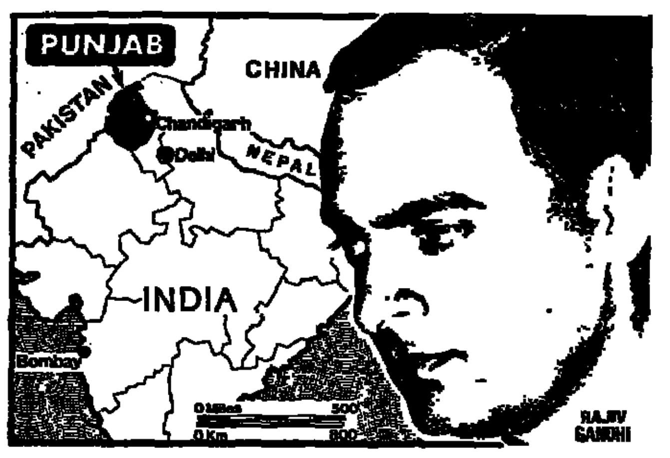
The same evening, a student *leader was shot dead in the* front garden of his Chandigargh house.

These incidents were a grim reminder that, despite the relative calm of recent months, the crisis in the northern state of Punjab is far from over five months *after it claimed the life* of Prime Minister Indira Gandhi.

Now her son, Mr *Rajiv* Gandhi, is trying to come to grips with the problem before it engulfs his own administration and deflects him from his *primary aims of liberalising* and galvanising India's industrial growth and improving *bureaucratic efficiency.*

He lives under a continuing threat of assassination and last weekend moved into a new home in Delhi which has been surrounded with earth ramparts, floodlit barbed wire fences and heavily armed security guards.

He delayed making any major moves on the Punjab crisis till after India's general election at the end of



RAJIV GANDHI

December and the state assembly elections and annual budget last month. Now he will be judged in India as much for his success in dealing with Punjab as for his economic measures.

Nine months after the Army went into the Sikhs' Golden Temple, it is still heavily involved with the state's security, *although it is gradually handing* over to paramilitary forces. The state is still governed by President's Rule, which the Indian Parliament last week extended for a further six months.

The style of Mr Gandhi's *election campaign exacerbated* communal Hindu-Sikh tension. He persuaded the electorate that extremist Sikh demands *for an independent Punjab was* a threat to the unity of India that only he and his Congress I party could defend.

Sikhs have still not recovered from the humiliation of *either* the Golden Temple's being taken over by the army or the *Hindu attacks they* suffered after Mrs Gandhi's assassination, in which nearly 2,700 Sikhs are officially estimated to have been killed.

Were a Sikh to be responsible for the assassination of another national leader, the ensuing riots would almost certainly dwarf the three days of chaos that followed Mrs Gandhi's death. *The way Hindus are* speaking privately now, it seems that they would show little mercy for people who, distinctive with their turbanned heads and proud bearing, have been both respected and feared in the past.

So there *is* immense *political* pressure for the tensions to be eased with a settlement of the economic and political demands which lie behind the crisis, the *removal of the army*, and elections for a new state Assembly being called.

Mr Gandhi started his moves on March 11 when seven Akali *leaders were freed from jail*, where they had been held since the Golden Temple operation. Thy included Mr Harchand Singh Longowal, president of *the Akali Dal, the Sikh's political* party which has been losing ground to extremists in the past couple of years. More Akali activists are to be released soon.

Then Mr Gandhi appointed as Governor Mr Arjun Singh, an effective Chief Minister of the state of Madhya Pradesh who handled the aftermath of *the Union Carbide gas disaster* in Bhopal, the state's capital. Mr Singh is a Hindu of the Rajput *high* land-owning caste who, like Sikhs, use Singh in their names.

Mr Gandhi has recently visited Punjab, and three senior ministers are to go there soon. Mr Gandhi told an audience of 30,000 in Hussainiwala village near the *Pakistan* border that important plans for economic development of the state would go ahead.

On the same day, however, President Zail Singh, a Sikh, angered Sikh activists by presenting gallantry awards to *army officers for their Golden* Temple operation. Then, the two men were killed in Chandigarh and widespread protests and strikes were *staged on the following two* days. Mr Longowal and a more extreme leader of a rival Akali faction, Mr Jagdev Singh Talwandi, made statements *which seemed to defy* any attempt at conciliation.

He also demanded an inquiry into the anti-Sikh riots after Mrs Gandhi was killed.

Such an inquiry could embarras Mr Gandhi, because some Congress I politicians are widely believed to have incited Hindus to attack Sikhs in Delhi and elsewhere. Nevertheless, Mr S. B. Chavan, the Home Minister, has said in Parliament that the Government was "*not averse*" to *an inquiry if it* proved to be the final stumbling *block to a Punjab agreement.*

It now remains to be seen whether the Akali leaders' *initial defiant* words on being released were a temporary reaction to nine months in jail or an entrenched stance.

If no progress is made towards talks, Mr Gandhi *could fall back* on a solution so far avoided, and unilaterally announce a peace formula and order elections. But that might not win the necessary support in Punjab for a lasting peace.

Reginald Dale, U.S. editor in Washington, reports on moves by the Reagan Administration to tighten up the Freedom of Information Act

U.S. conservatives on the offensive in right-to-know battle

AS THE second Reagan Administration gets under way, American champions of the public's "right to know" are steeling themselves for another round in their long-running battle with those who believe in the Government's right (or duty) to keep secrets.

For decades now the issue of government secrecy has divided political Washington into two immensely powerful warring factions, whose fortunes have waxed and waned with the overall political climate. On one side are ranged the media, the public interest pressure groups and their many, mostly Democratic Congressional allies (broadly speaking, the "liberals"), on the other, the government bureaucracy, big business and the law enforcement and security communities (the "conservatives").

At stake, in liberal eyes, is the whole concept of open popular democracy as envisaged by the nation's Founding Fathers. For the conservatives, the issue is government's right, and ability to govern, and the protection of the capitalist system.

Ten years ago, in the aftermath of Vietnam and Watergate, the conservatives were on the retreat. Now, in Mr Reagan's right-wing Washington, it is the liberals who are on the defensive and a series of developments in recent weeks have sharply increased their anxieties over what may lie ahead.

The liberals' most immediate concern is a court case in Baltimore in which they claim that the Government is trying to introduce a British-style Official Secrets Act via the courtroom backdoor. If that fails, or even if it does not, many of them believe that there will be moves to pass some kind of secrecy legislation in Congress.

Quite separately, the Administration and its conservative allies are preparing another determined drive to tighten up—the liberals would say, emasculate—the 1956 Freedom of Information Act (FOIA), which legally guarantees Americans the world's freest access to government information.

Earlier this month, liberal anxiety came close to alarm, when the White House confirmed that the Administration was considering a new secrecy law proposed by the Central Intelligence Agency (CIA) with potentially as broad a sweep as the British Act.

The CIA proposal would reportedly have made it a crime for a government employee to disclose to the press or other unauthorised people any classified information "that could reasonably be expected to damage national security."

Inveighing against the British

Liberals fear a UK-style official secrets act

example, the Washington Post last week angrily denounced the CIA move—"We do not have such a broad secrecy law in this country, and we don't want one."

By the end of the week, the Administration had decided against pursuing the CIA proposal, at least for the time being, although officials said that they continue to believe that such legislation would be "helpful."

To its liberal opponents, the Reagan Administration record already provides more than enough ground for deep suspicion. In its first four years, the Administration sought to expand the use of lie detector tests for public employees, to crack down on leakers, and impose life long censorship on officials with access to secrets. It tightened classification procedures, banned the press from the 1983 invasion of Grenada (a move that turned out to be highly popular with the public in general) and often treated the liberal media as hostile and subversive. In Congress, it tried unsuccessfully to amend the FOIA to give it a tighter grip on official and business secrets.

In Baltimore, the Government is breaking new ground by using existing laws on espionage and theft of government property to prosecute Mr Samuel Morison, a civilian Navy employee, for supplying the British military magazine Jane's Defence Weekly with three classified photos of a Soviet aircraft carrier under construction.

It is only the second time that the Government has sought to interpret the espionage law as covering an act that has nothing to do with spying, in the traditional sense of secretly passing intelligence information to a foreign power. The first was the Pentagon papers case, which the Government lost on the grounds of its own misconduct.

If the Government succeeds in its case against Mr Morison, many legal experts argue, it will mean that the U.S. has effectively, although unknowingly, had a broad-based Official Secrets Act on the statute book since 1917, when the espionage law was passed. If laws on the theft of government property also apply to the Morison case, then they could probably be interpreted to apply to all government information, not just classified documents, the liberals fear.

Although the trial is not due to open until the summer, the Government has already won the first round. In a pre-trial ruling, the judge upheld the Justice Department's position that Mr Morison could be prosecuted for disclosing national security secrets, even though no foreign spy was involved and there was no allegation that he intended to harm national security.

The judge's ruling has already been challenged as unconstitutional by many experts and may not be upheld. The Administration may hold back on formally introducing new secrecy legislation until the issue is resolved.

There is no such reason, however, for the Administration to hold back on its plans to amend the FOIA—and legislation to that effect has already been reintroduced in the new Congress by right-wing Republican Senator Orrin Hatch of Utah.

Mr Hatch's supporters say that his Bill is simply intended to "fine tune" the FOIA by eliminating anomalies, such as one which inadvertently allows the release of names of government informants, and tightening control over business secrets and law enforcement operations against terrorists, drug dealers and organised crime.

Mr Hatch's opponents argue that while the Act is far from perfect, he is concentrating only on the problems encountered by government, when it seeks to withhold information, and not those facing requesters of information.

His changes, they say, will make the Act much harder to use to obtain information, give government much greater scope to "play procedural games," and add to the delays that are the main curse of the present system.

On the contrary, the Democrats say, the Act should be further strengthened to reduce delays, narrow the areas exempt from public scrutiny and reinforce penalties against bureaucrats who misuse it to withhold information.

Under the Act as it now stands, any "persons," which includes foreigners, can request any "record" held by a government agency, including their personal CIA or FBI files. Congress is not subject to the law. The basic principle is that the public has the right of access to all official records unless the Government can prove that one of nine exemptions applies (see box).

The agency in question must legally give its initial response within 10 days. But that is more honoured in the breach than the observance, and the first request is often only the beginning of a long process, which may involve the requester in further lengthy correspondence, administrative appeals, law suits and delays of up to several years.

For its part, the agency must search and review its records, decide how much to reveal and how much is exempt under the Act, assess, waive or argue over fees to be paid for the search by the requester and attempt to justify refusal to release all or part of the information.

For a bureaucrat who wants to stall, there is an almost infinite labyrinth of nooks and crannies to hide in. There are countless stories of agencies transferring requesters, and even records to other departments, and holding out until the applicant loses interest.

Although Congress added sanctions to the law when it strengthened its provisions after Watergate in 1974, no Federal official has ever been known to have been punished for improperly withholding records.

A recent study of the Act by the Columbia Journalism Review gave these examples of what it called bureaucrat's bottomless bag of tricks—charging fees without justification, then refusing to act on the request until money is paid for information that might be useless or is never released; ignoring response times set by law; intentionally understaffing departments dealing with FOIA requests; forcing drawn out, expensive court cases; shuttling documents between offices of the same agency; referring documents to other agencies, sometimes without informing the requester and "interpreting all nine exemptions in ways that ignore the spirit of the law."

When in doubt Reagan has urged classification

Other examples include arguing about what constitutes a "record"; blacking out information indiscriminately when some parts of the document are exempt from disclosure; releasing documents selectively only after a requester agrees to end further legal action and being excessively literal if the request is only slightly wrongly phrased.

Many requests, however, are granted without too much trouble. Mr Glen English, a Democratic congressman from Oklahoma and Senator Hatch's principal FOIA adversary, told a recent hearing that in 1983 the Pentagon granted more than 60,000 of just over 72,000 requests in full. The Justice Department responded fully to more than half its 24,000 applications. Most complaints inevitably come from journalists, who tend to make the most sensitive requests.

A report by the Washington-based Campaign for Political Rights lists hundreds of examples of information released from government records on topics ranging from FBI harassment of Jane Fonda to CIA plots to assassinate foreign leaders.

(One petitioner is currently pressing for Mr Reagan's past FBI file).

A persistent seeker of restricted information may often persuade an agency to declassify an increasing number of documents as the request proceeds. But when the secret hard core is reached, courts will almost invariably side with the Government, as knowing best what constitutes a threat to national security. The Act leaves it to the President to define the rules of classification.

That has already allowed Mr Reagan effectively to tighten up the Act without the need for Congressional action. While President Jimmy Carter relaxed the rules and encouraged government employees to declassify if they could, Mr Reagan has urged classification when in doubt. He countermanded a Carter ruling that an overriding public interest should take precedence over requirements to classify and his Justice Department's policy—in another reversal of Mr Carter's—has been, as a general rule, to defend all suits challenging government decisions to withhold information.

Nevertheless, for all its restrictive policies and its horror of leaks, the Reagan Administration has been just as dogged by them as any of its predecessors. It has not found a foolproof way of preventing them—nor has it seriously tackled the problem of what to do when it is one of its own senior members who does the leaking. But it is not going to give up the attempt. In its second term, the liberals believe, it will be even more determined to swing the pendulum from "open up to shut up."

HOW THE ACT WORKS

Under the Freedom Of Information Act (FOIA), government agencies must provide information unless it is covered by one of the following nine exemptions:

- **Information properly classified as secret, in the interest of national defence or foreign policy.**
- **Documents relating solely to agency personnel rules and practices.**
- **Information withheld under other laws.**
- **Trade secrets and financial information obtained by an agency from a person or business.**
- **Some categories of internal letters and memoranda (including the policy making process covered by "executive privilege").**
- **Personnel, medical and similar files "the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."**
- **Certain investigatory records compiled for law enforcement.**
- **Certain records kept by agencies that regulate financial institutions.**
- **Geological and geophysical data about oil and gas wells.**

HOW TO APPLY

Write to the FOIA office of the appropriate agency (each agency has one), giving the clearest possible description of information required, rather than "all files relating to . . ."

There is no obligation to state why the information is requested. Search fees will usually be charged, but may be waived if the information is "in the public interest."

If the initial response is not satisfactory, an administrative appeal can be made to a higher official. If the appeal is denied, requesters can lobby Congressmen and/or go to court.

Most law firms will want an advance of $500 (£415) to $1,000—although some free legal help is available. Judges may order the agency to pay costs if the requester "substantially prevails" in the law suit.

- **Summarised by Columbia Journalism Review, New York, and Center for National Security Studies, Washington D.C.**

Reagan offers Senate defence budget deal

BY OUR U.S. EDITOR

PRESIDENT Ronald Reagan has offered to reduce his defence spending request for the coming 1986 fiscal year by roughly $10bn in the hope of reaching a budget compromise with Senate Republican leaders. In exchange, however, he is asking the Republicans to more than match his offer by agreeing to much deeper cuts in domestic programmes than they have so far been prepared to contemplate.

If the Republicans agreed to such a deal, Administration officials said yesterday, Mr Reagan would come roughly half way to bridging the $30bn gap between the two sides on next year's defence spending.

Mr Reagan has been seeking $322bn in total defence appropriations for fiscal 1986, which begins on October 1, against $302bn proposed by the Republican senators. The Republicans' figure is intended to freeze real defence spending at a level equivalent to this year's $292.6bn after taking inflation into account.

Administration officials, however, said that it was not at all sure that the negotiations, which resumed yesterday, would succeed. The White House was also still concerned at the steep defence cuts that the Republicans wanted to write into the budget for 1987 and 1988, they said.

For the deal to go through, the Republicans would have to accept cuts in programmes such as farm subsidies and urban development grants that they have hitherto rejected, and also abandon their plans to freeze cost of living increases for social security recipients.

Mr Reagan is still insisting that the cost of living increases go ahead as planned, meaning that the Republicans would have to find an additional $6bn in savings next year to match the cuts they had hoped for from this quarter, as well as matching the $10bn Mr Reagan is offering on defence.

Both sides, however, are still hoping to agree on a deficit reduction package of $50bn or more, that would then go to the full Senate. At that point, Administration officials say, Mr Reagan would have a solid basis for "taking his case to the country."

Teamsters agree to three year wage deal of 10%

BY TERRY DODSWORTH IN NEW YORK

THE U.S. national trucking industry and the Teamsters' Union have hammered out a three-year wage agreement which will give pay increases of about 10 per cent to some 200,000 workers.

The deal is the latest illustration of the trend towards modest wage awards in the large nationally organised industries. It includes some substantial concessions from the union, which used to be famed for its militancy and ability to drive a hard bargain.

Under the proposals, which will have to be put to local leaders of the union later this week, the annual cost of living provision, designed to give an automatic adjustment of wages for inflations, has been virtually eliminated. Workers will enter the industry at a 30 per cent lower starting salary, and temporary employees will receive an 8.3 per cent pay cut.

Mr Jackie Presser, President of the Teamsters, said the agreement "successfully addressed" areas of great concern to members, including job security and increased fringe benefits.

The deal nevertheless underlines the weakened position of the Teamsters following the deregulation of prices and routes in the industry in the early 1980s.

It is by no means certain that the whole industry will accept the deal. Some of the smaller trucking companies say they will be unable to meet the salary scales and remain competitive with rivals who have emerged in the post-deregulation era.

Audit launched of seven U.S. defence contractors

BY PAUL TAYLOR IN NEW YORK

THE U.S. House of Representatives' armed services committee is planning its own separate audit of seven major U.S. defence contractors as part of an intensifying investigation of Pentagon spending.

The investigation comes amid mounting allegations of overcharging and billing irregularities by some of the nation's largest defence contractors. These allegations have led to the temporary suspension of some payments to General Dynamics and to Grand Jury criminal charges against General Electric which last week was banned from bidding for new Pentagon contracts.

The House committee, one of several investigating the charges, said it had picked the seven contractors as a representative cross-section of the industry. They are: General Dynamics, Sperry, Tenneco's Newport News and Dry Dock subsidiary, Bell Helicopter Textron, McDonnell Douglas, Rockwell International and Boeing.

The committee's audit, which will take at least 45 days, will be conducted by Pentagon auditors and members of the General Accounting Office—the investigative arm of Congress.

Canada car workers go it alone

By Bernard Simon in Toronto

THE CANADIAN branch of the United Auto Workers has formally split from the Detroit-based union following an agreement on the division of strike funds and other assets.

The breakaway, which deprives the UAW of about 10 per cent of its members, was initiated last October when Canadian car workers pressed for different terms to U.S. workers in contract negotiations with General Motors. The dispute precipitated an 11-day strike in GM's Canadian plants, closing down many facilities in the U.S. which depend on parts made in Canada.

The U.S. union has agreed to transfer about 5 per cent of its assets, worth C$36m (£22.5m), to the Canadians, including C$30m to set up a Canadian strike fund. All but one of the Canadian union's local branches have approved the split, and a convention is due to be called in September to set up an auto workers union in Canada.

Mr Bob White, head of the Canadian union, said that an autonomous body will increase the influence of Canadian auto industry workers both in the U.S. and Canada. Detroit put strong pressure on the Canadians to settle last year's strike. Mr White said that Canadian workers can now negotiate with employers on their own terms.

Fed to tighten control of bond markets

THE President of the Federal Reserve Bank of New York, Mr Gerald Corrigan, said that more formal regulation of U.S. government bond markets "should and will be addressed," Reuter reports from New York.

Speaking before a House of Representatives subcommittee hearing on domestic monetary policy, Mr Corrigan said: "The Federal Reserve, in co-operation with the Securities and Exchange Commission and the Treasury, is taking a fresh look at that question (of formal regulation)."

The meeting was called to hear testimony on the Fed's proposed voluntary guidelines setting capital adequacy standards for secondary government securities dealers.

Mr Corrigan told the subcommittee that "the voluntary capital guidelines should and will be put in place." This could be done within a few weeks, he added.

Senate keeps up pressure over Japanese imports

BY STEWART FLEMING IN WASHINGTON

LEGISLATION requiring the Reagan Administration to retaliate against Japanese imports of telecommunications, electronics and automobile products will be taken up by the Senate Finance Committee today.

The move comes as pressure mounts in Congress for a U.S. response to the apparent reluctance of the Japanese Government to meet U.S. demands for improved access to Japan's markets.

A spokesman for Senator John Danforth, one of the sponsors of the legislation, said yesterday that the Bill which will be proposed will require President Reagan to report to Congress within 45 days on whether Japan has opened its telecommunications markets to U.S. products.

If not, the President will be required to state what retaliation the administration is planning to take to offset the $4bn (£3.6bn) deterioration in the U.S. trade balance.

The deterioration is seen as a result of the sharp rise in imports of Japanese cars into the U.S. now expected as a result of the ending of the bilateral quota agreement on cars.

Even a few months ago, the prospect that Congress would seize the initiative from the Administration on bilateral trade relations with Japan, seemed faint despite the surge *in the U.S.* trade deficit with its Far Eastern trading partner which hit $376m last year.

But last week, amid signs that the U.S. would not achieve its objectives in the talks which have been taking place which are aimed at improving the access of U.S. products to Japanese markets, the Senate passed by a vote of 92-0 a non-binding resolution calling for retaliation against Japan.

The legislation which the Senate Finance Committee will take up tomorrow is a much more serious threat to U.S. Japanese trade relations. But it has a long way to go before it would become law. The Finance Committee will first have to approve, and perhaps modify, the legislation Senator Danforth is proposing.

The Bill would then be ready to be attached to legislation coming to the Senate from the House of Representatives which must originate trade and tax laws.

Then, both legislative chambers will have to consider the Bill and approve it before it could go to President Reagan.

Congressional trade experts suggested yesterday, however, that it is now up to Japan to decide whether to take further steps to meet U.S. demands.

A fall in the transit of three key items accounts for the decrease in traffic, **Robert Graham** reports

How recession is hitting the Panama Canal

AT NINE in the morning the crowd of tourists is let in to visit Miraflores Lock at the Pacific entrance to the Panama Canal.

It remains to this day one of the great wonders of modern engineering, with virtually all the same machinery operational since the Canal's first use 70 years ago.

But the tourists who expect to see vessels going through the locks are disappointed. By the time they arrive, the ships have already passed through. Traffic is down to an average of 32 ships a day in both directions against a one-time high of 40 and a capacity of 42 per day. The world recession is directly to blame.

Towards the end of 1984 there was a slight upturn reflecting a modest improvement in Latin American economies and the recovery in the U.S. But projections for the current U.S. fiscal year by the Panama Canal Commission anticipate no substantial change with the daily average at 32.5 vessels, the same *as 1983*.

The decrease in canal traffic was accounted for by a decline in the transit of three key items — petroleum products, grains and coal. The most marked drop was in North Slope Alaska shipments, which declined from 4.4m tons in 1983 to only 360,000 tons. This reflected the full operation of the trans-Panama oil pipeline designed to take Alaskan crude. The drop in crude transit meant a loss of $55m in revenue, and the overall loss might have been more had not there been an increase in the movement of petroleum products to 1.3m tons.

The largest tonnage drop occured in grain movements. According to the Canal Commission the decline resulted in "a diversion of U.S. corn exports to West Coast ports, a drought which severely reduced U.S. corn production, and increased competition from Canada, Australia and Argentina, *in part*, a result of the strength of the U.S. dollar." There was, however, an increase in wheat trade passing through the canal. This was up 60 per cent to 9m tons, largely due to the resumption of U.S. exports to China, totalling 4.2m tonnes.

Meanwhile the canal coal trade was down 56 per cent on *1982* levels reflecting low steel production in Japan and an increase in the amount of coal *bypassing* the *canal*. The percentage of U.S. East Coast coal shipments to the Far East bypassing the canal increased 45 per cent last year. However, this year the start up of Colombian coal exports should to some extent offset this.

Toll revenue was marginally up to $289m ($287m), reflecting the full effect of a toll rise in March 1983. This year the Canal Commission is projecting toll revenue to be $310m. The average charge per vessel is $25,000.

Sr Fernando Manfredo, deputy Administrator of the Canal Commission and the senior Panamanian on it said in *a recent interview: "We will* make every effort not to raise tolls this year. We are very conscious that we have to share the effects of the recession with the rest of industry."

However, he pointed out that the 50-mile long waterway had 75 per cent fixed costs. "When traffic goes down the costs remain virtually the same. Thus we must maintain a steady flow of traffic."

Sr Manfredo believes it is healthy that the canal is no longer a monopoly and that *alternate* routes *are being used* like the oil pipeline. Much thought is now being devoted to accommodating larger vessels. Between 1955 and 1984 the average size of vessels increased by a factor of almost three. The number of larger vessels the canal now can accommodate, of 100 ft beam and over, has risen from less than 1 per cent of total transits to 19 per cent. However, if the canal is to take more large vessels the Gailard Cut, *the* narrowest part of the waterway, will need to be *enlarged*.

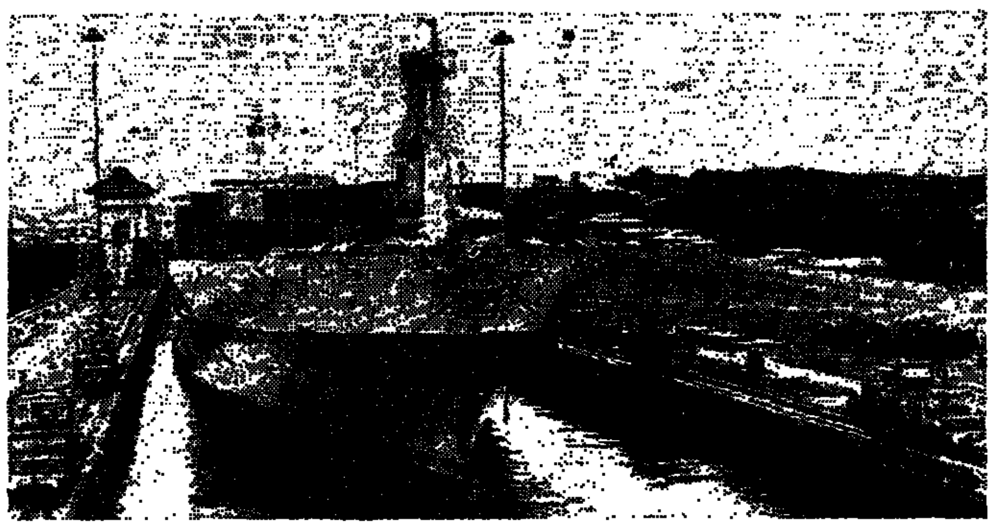
The problem here is not so much the lack of funds but rather the nature of the 1979 Canal Treaty between Panama and the U.S. Under the terms of the treaty the U.S. is due to hand over the canal in perfect operating order free of debt. The U.S. Government refused to accept in the treaty negotiations that the canal investments had been amortised. Thus any new big investment entails complex discussions on amortisation.

The Panamanians never accepted the U.S. argument that the canal investments had not been amortised and, in private, they believe this is a device to lessen the amount of real earnings Panama receives from the canal. *At* present funds are still set aside from the notional operating profit to cover amortisation. Panama receives $10m as an annual annuity, $10m as a public service payment, a 30 cents per tone of shipping fee and then a direct payment if there is a sufficient income left after operating costs. Last year Panama received a total $69m

The Panamanian Government *has not yet sought* extra payments from the Canal Commission. Rather it is trying to make better use of the canal.

President Nicolas Ardito Barletta is anxious to develop the twin ports at either end of the canal, Colon and Panama City, as a single container centre, *reactivating the canal* railway.

"A recent report showed that worldwide there was a need for 12 major container ports, and we very much hope that Panama can be one of those," he said.



A container ship moves through Miraflores Locks in the Panama Canal, where recently ten new towing locomotives were added

Contracts for Cairo opera house this week

By Trevor Mostyn in Cairo

CONTRACTS will be awarded in Tokyo this week for the building of Cairo's new opera house designed, in the words of its president, Mr Yousef El-Sisi, to be "*one of the finest in the world.*"

Seven companies, mainly Japanese, are competing for orders worth $30m (£27m)—$25m of which will be paid for as an outright gift to Egypt from the Japanese Government. *Egypt will put up about* $5m for outside facilities.

The building will replace the former wooden opera house, burnt to the ground in 1971, which was built as part of the celebrations for the opening of the Suez Canal in 1869.

Verdi's Aida was written especially for the opening, which was attended by the *crowned heads of Europe*, including Empress Eugenie of France. An imitation of Milan's La Scala, the opera house regularly hosted international ballet and opera companies.

The new opera house will contain a main concert hall with 1,300 seats, two halls with 600 and 500 seats and seven other halls with between 120 and 300 seats. It will house the Cairo National Opera and Ballet companies as well as the Cairo Symphony Orchestra, of which Mr El-Sisi is the conductor, and will contain training facilities, and a museum and an art gallery, both devoted to opera.

The opera house, which should be ready for use in January, 1988, was designed by the Japanese company Nikken Sekkei

Canada to cut levies on 17 EEC exports

BRUSSELS—Canada has agreed to reduce import levies on certain European Community exports in an attempt to defuse a trade row sparked by Canadian restrictions on footwear imports, official said.

Canada will reduce tariffs over one to three years on 17 different products imported from the Comunity to compensate for curbs on boots and shoe imports estimated by the Community to cot its producers $50m (£45m) a year in lost trade.

The Community *had already* protested to the General Agreements of Tariffs and Trade about the curbs, which mostly *hit cheap Italian shoe.*

Commission officials said Canada, which set the damage caused by the curbs at a frac*tion of the Community's esti*mate, agreed to ease their effect by reducing the price level below which the quotas would apply.

Reuter

India and France 'plan joint nuclear projects'

NEW DELHI — India is to launch joint nuclear energy projects with France, Mr Raja Ramanna, chairman of the Indian Atomic Energy Commission, sai dyesterday, the Press Trust of India news agency reported. Fast breeder reactors would be a major area for co-operation.

In 1983. France started supplying India with enriched uranium for a U.S.-built reactor at Tarapur in western India *after the U.S. cut off supplies* because India refused to sign the Nuclear non-Proliferation Treaty.

Reuter

Austria likely to bypass BAe for Saab aircraft

BY PATRICK BLUM IN VIENNA

THE AUSTRIAN Government is expected to announce tomorrow that it will buy 24 secondhand Saab Draken interceptor aircraft to modernise its air force.

The decision will be a disappointment for British Aerospace which *had high hopes of* clinching the deal with Lightning aircraft.

The British group and Saab were *the front-runners* for the estimated Sch 2bn (£79m) contract, but political considerations encouraged the Austrians to buy from neutral Sweden rather than from a Nato country.

The decision has yet to be formally approved at a full Cabinet meeting due to take place tomorrow but the outcome seems settled.

The British Lightning was the preferred choice of the military and of the Defence Minister, Dr Friedhelm Frischenschlager. The aircraft fulfilled the Austrian Air Force's basic technical requirements and was cheaper than any of its competitors.

BAe also offered a very favourable counter trade package including the possibility for the Austrians to become involved in the European aircraft and aerospace industry. Details of the Saab deal are not yet known.

British officials in Vienna are clearly disappointed by the decision, but there has been mounting pressure, especially within the Socialist Party, for buying from a neutral country. The pressure seems to have swayed the Government.

A special meeting of the National Defence Council last week chaired by the Austrian chancellor, Dr Fred Sinowatz, decided to back the Saab bid which was the choice least likely to cause political controversy for the Government which has been accident-prone of late.

The strength of the British bid, however, may have placed Britain in a favourable position for future arms procurement contracts.

Thai Airways, has ordered two A310-200 jets and spare parts, worth $125m (£113m), from Airbus Industries, the victor in a fierce battle with Boeing of the U.S., *Boonsong K'Thana reports from Bangkok.*

The contract came three days after the Thai Cabinet had finally endorsed the state-run airline's plan to acquire two Airbus jets, rather than six G737-200s which Boeing tried very hard to sell to Thai Airways.

The two jet makers have campaigned fiercely to land the Thai contract. In winning the contract, Airbus is reported to have offered a discount of $2m at the last minute to counter Boeing's offered concessions worth $9m.

The two A310s, worth $109.5m (excluding spare parts), will be equipped with General Electric's newly-developed engines and will join Thai Airway's fleet next year *for services on domestic trunk routes.*

Pit union angry over closures policy

By Philip Bassett and John Hunt

LEADERS OF Nacods, the pit supervisors' union, warned yesterday that their members were now angrier with the National Coal Board (NCB) than they were last October. The Government then headed off strike action by the supervisors, which would have closed Britain's coal mining industry, by sanctioning a new independent procedure on pit closures.

In the face of this warning, the NCB seems likely today to agree to meet leaders of Nacods after a decision by the union's executive yesterday to recall the union's delegate conference over its worries about colliery closures.

Mr Peter Walker, the Energy Secretary, told the House of Commons yesterday that two pits were expected to be closed before detailed discussions start on implementing the modified colliery review procedure agreed by the NCB and the Nacods.

He explained that in both cases – the Bedwas colliery in South Wales and the Frances colliery in Fife – there was no possibility of any men working because the coal faces had been destroyed during the year-long miners' strike.

The supervisors angrily attacked the planned closure of the two collieries which the union says are being shut outside the terms of the industry's colliery review procedure, and the March 27 directive from the NCB on closing pits. The NCB insists that Nacods is misinterpreting this statement.

Nacods claims that these moves are in direct contravention of its new review agreement of last October, and Mr Peter McNestry, Nacods General Secretary, said: "Having got that agreement we are now more upset even than we were on October 22, because not only have we been cajoled and lied to – the whole nation has been cajoled and lied to."

Mr Walker insisted that the two closure decisions already taken were by their nature "interim arrangements."

He stressed that the Bedwas closure had been agreed between the NCB and the NUM. The transfer of workers to other pits and voluntary redundancy was being arranged.

Mr Walker maintained that this procedure was much more acceptable than simply laying men off because there was no work for them.

The Executive of Nacods unanimously decided to ask the NCB to withdraw its March 27 statement, and its management guidance on local level relations with the union. In calling together the union's delegate conference, Mr McNestry warned that if the statements were not withdrawn then the threat of strike action "will come much closer."

Last year in a membership ballot, the union's executive won an 82 per cent majority in favour of a strike. A motion from the union's South Wales area for a new strike ballot, considered by the executive yesterday, will, if necessary, be put to the delegate conference.

Mr McNestry said: "We see the March 27 statement as a complete change of policy by the coal board. That decision means quite plainly that consultation will be taken away from all the unions in the industry. That we cannot accept – and that we will not accept."

Clearly angry, Mr Ken Sampey, the union's president, launched a strong personal attack on Mr Ian MacGregor, the NCB chairman, insisting that neither he nor the NCB could be trusted. He said the feeling in the coalfields, particularly in the South Wales and Scottish areas where the closures are threatened, was one of outrage.

Privately, however, union leaders are doubtful that their members would vote for a strike over the issue in the light of the outcome of the miners' year-long strike. They seem to want to avoid a ballot if possible and instead concentrate publicity and propaganda against the NCB.

Credit demand strong despite dearer borrowing

BY PHILIP STEPHENS

THE PACE of growth in Britain's consumer credit business slowed slightly in February after a record increase in January. Demand for credit remained buoyant, however, despite the sharp rise in interest rates.

The Department of Trade and Industry said yesterday that finance houses, retailers and other specialist credit organisations advanced loans worth £1.01bn in February.

That was a slight fall from the £1.17bn of new business in January, but was still well above the average level in 1984.

Officials said the drop largely reflected the phasing out of a number of low-cost credit offers on new car sales, and fewer loans on second-hand vehicles.

Taking the trend over a longer period, the department said that total advances during the three months to February were 10 per cent higher than in the previous three months.

The rise in the general level of borrowing costs in January, when banks put up their base lending rates to 14 per cent from 9½ per cent appears to have had little immediate impact on consumer demand.

This will partly reflect, however, the normal lag before higher bank interest rates feed through to the charges made by retailers and finance houses.

The Government is expecting the combinaiton of historically high real interest rates and the rapid build-up over the past few years of household debt to bring some slowing in the growth rate of consumer credit.

The continuing strong rise in personal borrowing – through higher mortgages and bank loans, as well as retail and finance credit – has been the source of concern for the authorities because of its impact on the growth of the money supply.

In separate figures yesterday the department confirmed a small rise in the volumes of retail sales in February after the steep fall in January, but they remained below the level seen in the last months of 1984.

The index of retail sales was put at a final 114.0 in February (1980=100), up from 112.8 the previous month.

Second defeat for Insolvency Bill

BY JOHN HUNT

THE GOVERNMENT suffered a second defeat on the Insolvency Bill in the House of Lords last night when a coalition of Conservative and Opposition peers pushed through an amendment by a majority of one vote.

The amendment allows directors in insolvency cases to escape disqualification so long as they prove to a court that they have taken every reasonable step to minimise potential losses to creditors.

It further weakens the legislation, which is intended to broaden the terms under which directors can be disqualified when their companies are compulsorily wound up.

The Government has, however, an opportunity to reverse last night's defeat when the Bill, which originated in the House of Lords, comes to the House of Commons.

The amendment was approved despite a strong appeal for its rejection from Lord Lucas of Chilworth, Under Secretary for Trade and Industry.

Lord Lucas told the House: "If this goes through, it means that however irresponsible a director's conduct has been – even if it caused enormous losses to the creditors – the court would be unable to disqualify him provided he has taken steps to minimise the potential losses to creditors and placed accounts before the management."

During the debate on the report stage, peers complained that the Government had failed to clearly spell out the promised criteria for guidelines which could be followed by directors threatened with disqualification.

The amendment was proposed by Lord Benson and Lord Mottistone. The latter said: "We need to be sure that directors know what is the basis for their potential unfitness. Guidelines might be a solution to the problem but we have not seen them yet."

"We will not know what form they are to take before the Bill leaves this House."

He was extremely distressed by the attitude of Lord Lucas in not recognising the need to ensure that the right people were not discouraged from helping companies which were in difficulties.

The amended clause had already been virtually redrafted by the Government in an effort to seek a compromise, after the defeat in the House of Lords of the original plan to introduce automatic disqualification for directors whose companies go into compulsory liquidation.

PORTFOLIO DECISIONS MADE AT 'SEVERE COST TO CLIENTS'

Funds blamed for $ hedging

BY ERIC SHORT

UK PENSION fund managers have been heavily censured for hedging their U.S. portfolios last year at a severe cost to their clients.

Cubie Wood, the actuarial consultants, has measured the performance of 756 pension funds under its Investment Performance Monitoring Service and claims that almost all investment managers hedged in 1984 by selling dollars for future delivery. It says that this cost those funds in the service nearly £290m – an average of more than £250,000 per fund.

A report shows that total U.S. equity return in 1984 available to UK investors was 31.8 per cent, of which 25 per cent arose from the depreciation of sterling relative to the dollar. That major element of performance was lost by hedging.

Mr Keith Jecks, manager of the service, claims that the decision to hedge was unnecessary. He points out that if the original decision to invest in the U.S. was taken because of a belief in the strength of the U.S. economy then the value of the dollar in the long-term would reflect that strength.

He considers that the justification for hedging is based either on a need to sell investments in the near future – unlikely in the case of pension funds – or on an attempt to improve short-term performance.

The report of 1984 results from Cubie Wood, claims that this is just one example of fund managers coming to important investment decisions on the basis of short-term criteria – primarily with the aim of improving quarterly performance figures.

Security block on contract

By Mark Meredith

VITAL parts of heat treatment equipment produced at the Scottish-based Consarc company, were blocked before shipment to the Soviet Union, the Department of Trade and Industry said yesterday.

The department said the ban was imposed as soon as it was realised that the equipment could be used in the manufacture of material called carbon-carbon. It moved to close the gap on security grounds.

The Government fears that carbon-carbon produced in special furnaces could be used as a heat-protective coating for Soviet missiles. The vital 5 per cent of the control equipment was said to have been stopped, blocked at Hull docks from shipment to the Soviet Union, to a destination near Moscow.

According to the company, the bulk of the £7.6m order for vacuum induction furnaces and isostatic presses were shipped before the Government imposed a ban on the shipment on February 8.

The company said it had applied for, and received clearance from the trade department on three occasions and was told that the equipment would not need an export licence.

The department said the decision was taken in consultation with Britain's partners in Cocom, a Paris-based organisation of Nato countries and Japan formed in 1950 to prevent the sale of strategically important goods to Eastern bloc countries and China.

In 1982 the Government supported John Brown Engineering, a Scottish company, which opposed efforts by the U.S. to stop its shipment of gas turbines – produced with U.S. components – from being shipped to the Soviet Union. The U.S. imposed the sanctions after the declaration of martial law in Poland.

Sanctions were later modified by the united states in the face of growing opposition by European countries which, like John Brown, had contracts with the Soviet Union.

Odds stacked against union in postal workers' dispute

David Goodhart says union leaders have taken on a fight over working practices that they cannot seriously hope to win

DISRUPTION now taking place in the Post Office is another classic example of the changing industrial relations culture in the UK nationalised industries.

A new generation of tough-minded business managers has come into direct conflict with the slow-moving union-management consensus of old. The industrial action was probably inevitable and, indeed, the wonder is that it has not come before.

The Post Office, after all, has been nurturing many of the working practice changes it now plans to introduce for several years, and was criticised by the last Monopolies and Mergers Commission Report for not acting sooner.

Now that finally it was moved decisively, it has pushed the union leadership into a fight on extremely unfavourable ground that it cannot seriously hope to win.

Indeed, early last month senior officials of the Union of Communication Workers (UCW) found themselves arguing to their special delegate conference that the key issue – resisting the increase in part-timers – was untenable in principle and, anyway, inconsistent with existing local practice.

With official Trades Union Congress (TUC) policy stating that unions should curb overtime in the hope of creating more jobs the UCW leadership reluctantly propelled by its activists is going into battle – in part – to preserve well above average overtime levels for a small number.

Of course, the issue has become the far broader and more emotive one of the Post Office versus the UCW, or does the management have the right to bring in historic changes without agreement.

Although attention yesterday focused on the optical character recognition (OCR) machine at Mount Pleasant, Britain's biggest sorting office, in London the issues of new technology and mechanisation find the two sides in broad agreement.

The union decided not to agree to an extension in the OCR experiment as a *quid pro quo* for management's decision to press ahead with increasing the number of part-timer workers from 8,000 to about 20,000. It is with part-timers – and to a lesser extent the mandatory extension of the existing voluntary productivity scheme – where the sparks are flying.

Why is the Post Office pressing so hard on that issue? It would argue that it is the key element in the package for both quality of service and cost-saving reasons. At present the Post Office, because of the "peaks and troughs" nature of its business has an above average reliance on overtime.

Of the 350m man-hours a year, 56m (about 16 per cent) are now overtime hours, which costs about £200m a year. Although 42 per cent of the 120,000 postal staff do no overtime, the rest average just under 14 hours a week, with a small group of about 10 per cent doing over 20 hours a week.

Overtime is expensive for the management, with payments linked to a rapidly rising scale; it is also voluntary and therefore unreliable. Managers say it is often difficult to find enough volunteers in the big city sorting offices towards the end of a week. That can affect reliability.

In a business with labour costs accounting for an astonishing 80 per cent of total costs, any significant efficiency savings are likely to have a direct labour relations impact. But the Post Office insists that of total package savings estimated at £180m, the union's members stand to pick up about £100m, or between £8 and £14 a week extra for all except the biggest overtime earners under the present system.

The union sees many of these changes as essentially political and – as recently with British Telecom – a softening up process prior to making large parts of the Post Office more attractive to private capital.

Plans for property tax reform promised

THE GOVERNMENT intends to issue its plans on rates (property tax) reform before the end of this year, probably in late November or December, Peter Riddell writes.

Officials confirmed yesterday that the Government was determined to settle firm proposals before the next general election, after the five-hour ministerial meeting on Sunday chaired by Mrs Margaret Thatcher, the Prime Minister.

Ministers agree that it is impossible for them to go into the next general election campaign without a clear promise on firm and detailed proposals.

Some senior ministers would like to see legislation enacted before the next election, probably in the 1986-87 parliamentary session, but no decision has been made on the course to take. The alternative would be to present detailed proposals in the next Tory election manifesto with legislation immediately afterwards.

Mrs Thatcher remains sceptical about proposals for a local income tax, which she believes would not discourage high spending local councils. The option of a poll tax, which would be levied at a flat rate for all adults, remains on the agenda despite Home Office opposition.

Mr Robert MacLennan, the Social Democratic party (SDP) spokesman for Scotland, yesterday wrote to the Prime Minister expressing horror that the Government was apparently playing with the poll tax option. He said this would hit hardest those least able to afford to pay any further taxation.

Mr MacLennan urged Mrs Thatcher to take advantage of a computerisation of the tax system to introduce a local income tax. He said this would not only be fairer, but also make local government more accountable to its electorate.

□ A REPORT in the Financial Times by David Lascelles on the setting up of a UK Federation of Bureaux de Change was not significantly inaccurate or biased, the Press Council said yesterday, in rejecting a complaint against the newspaper.

Chequepoint, of Oxford Street, London, had complained that no opportunity was given for a timely response to be published to an inaccurate and biased article. The Press Council said that on two occasions the newspaper offered Chequepoint an opportunity to respond to the article but the offers were not taken up.

The article was headed "Bureaux de change body finds few members" and reported the setting up of the federation to improve standards in an industry which has been the subject of much controversy.

□ ICI main board director for the Americas, Dr Brian Smith, is leaving to become chairman of Metal Box. He will become the group's deputy chairman in July, and its chairman on the retirement of Mr Denis Allport at the end of the year.

Dr Smith, aged 56, has been with ICI for 30 years. His earlier career was spent in the group's fibres division, where he rose to be divisional chairman before joining the main board in 1978.

□ A VERDICT on the future of Northern Ireland's gas industry might be delivered this week when the Government makes its decision on revised proposals to pipe natural gas from Dublin to Belfast.

Fletcher in U.S. to discuss City changes

By John Moore, City Correspondent

MR ALEX Fletcher, Minister for Corporate and Consumer Affairs, is visiting securities groups in the U.S. to discuss the progress of the financial services revolution in London.

Mr Fletcher is seeing, among others, representatives of Merrill Lynch, Goldman Sachs, Chase Manhattan, the New York Stock Exchange and the Securities and Exchange Commission. He is also meeting the Insurance Superintendent of New York State and representatives of the commodities market.

According to the Department of Trade in London, the visit is designed to endorse the Government's programme of deregulation in the British securities market

Mr Fletcher will also be presenting the Government's policy towards the future regulation of the London financial community.

Commission 'cooler' towards steel makers

BY IAN RODGER

THERE'S LESS sympathy in Brussels for European steel makers these days, according to Mr Bob Scholey, who has just been elected president of Eurofer, the association of leading integrated steel producers in the European Community.

"A different climate is emerging," Mr Scholey, said in London yesterday. "This Commission is not as close to us as the old one," he said. Mr Scholey is also chief executive of British Steel.

Mr Scholey takes over at Eurofer at a crucial time. Officially, the Commission's eight-year programme to help restructuring in the EEC steel industry is supposed to end this year. But there remains vast overcapacity, and everyone knows a further period of production, price, marketing, and import controls will be needed.

Eurofer has been a a crucial part of the control system, organising the share-out of production quotas among members under a succession of agreements. Mr Scholey expects to begin soon negotiating an agreement to replace Eurofer IV, which expires at the end of 1985.

Eurofer is often called a cartel, although some would argue that one reason the European steel industry is still in trouble is because the cartel has been ineffective in enforcing its agreements.

The problem, Mr Scholey said, has been building mutual confidence among producers. "As long as there has been excess capacity, there have inevitably been tensions," he said.

The latest example was the failure of some producers to respect minimum prices imposed by the Commission at Eurofer's request last October.

As a result, the Commission was reluctant to accede to Eurofer's recent request for an increase in the minimum prices, and Mr Scholey fears there could be stronger opposition the next time prices come up for review, in October.

Briton who lived abroad wins case over tax avoidance

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A BRITON who lived abroad for a carefully chosen limited period was no less "resident abroad" for tax purposes simply because the main reason for his absence from the UK was tax avoidance a High Court judge ruled yesterday.

Mr Justice Nicholls dismissed an Inland Revenue appeal against a ruling by tax commissioners that Mr Dave Clark, a pop musician, did not have to pay income tax on the £265,000 he earned during the tax year 1978-79.

The judge said that Mr Clark had been advised that, as he had to go to the U.S. on business for a protracted period during 1978-79, it would be possible for him to avoid UK and U.S. tax on $450,000 due to him from an American recording company.

If he did not set foot in England during the tax year he would avoid UK tax, and if the money was paid to him before June 1 1978, no U.S. tax would be payable.

The Revenue argued that although Mr Clark had spent the time abroad, he had been resident in the UK and therefore caught by s.108 of the 1970 Income and Corporation Taxes Act.

It also contended that he was liable under s.49 of the Act because he had left the UK only for the purpose of "occasional residence" abroad.

Rejecting the first argument, the judge said that each case concerning residence depended on its facts and the inescapable conclusion was that Mr Clark's home and place of business during the relevant period had been Los Angeles.

Section 49, the judge said, was puzzling and its intention unclear. He concluded that it was intended to supplement s.108 and impose a similar liability on people falling within it.

An absence abroad for a few weeks or months would count as "occasional residence"; a year's absence would be long enough, and have sufficient continuity, not to be similarly described.

Tax avoidance schemes did not find much favour with the courts nowadays the judge said, but when deciding issues of residence or occasional residence all the reasons for the absence from the UK – including any desire to avoid UK tax – had to be taken into consideration.

Private coal group grows to meet demand

WHILE THE National Coal Board is busy squeezing production, Anglo United, a small company with seven UK opencast sites and sales of nearly £12m a year, says it can sell all the coal it can produce and plans to double output to 1m tonnes a year over the next two years, Maurice Samuelson writes.

"The miners' strike hit our sales last year. But looking back it was a lot less horrible than it seemed at the time," says Mr David McErlain, Anglo's chairman, who launched the company's UK operations only three years ago.

Mr McErlain was speaking after the release last week of Anglo United's report and accounts for the year to October 31 1984.

His company, which also has an anthracite mine in Pennsylvania and is registered in Canada, showed pre-tax profit of £1.3m on a revenue of £11.84m. The pre-tax profit was £600,000 lower than the previous year.

Mr McErlain was basing his confidence on the speed of recovery in sales since last October and the strong demand from power stations and industry.

For much of last year his major customers, including the Central Electricity Generating Board, were either unable or unwilling to take his coal for fear of industrial action by their own workforce.

During the summer, when Anglo United's mines were in full production and the new Roughcastle mine in Scotland was building up to 3,000 tonnes a week, large quantities of coal were either put to stock or prepared for immediate extraction.

But in October, with winter approaching "a significant number of our normal outlets opened again" and by the end of January all the coal from its English sites had been moved to customers, generally fetching a premium of £3 to £4 a tonne.

Until October, the company also delayed four applications for new opencast mines. But these have subsequently been submitted and more will be lodged to raise production to 500,000 tonnes in 1985 and ultimately 1m tonnes a year in 1986-87.

Mr McErlain is more precise about the problems he encountered during the strike than the way in which they were overcome.

Pickets were present throughout the strike at the Roughcastle mine, blacking coal which would otherwise have been delivered to the Scottish electricity industry. Nevertheless, by the autumn "a very good relationship" had been formed with the pickets.

The company's biggest financial headache arose from its lack of demand from power stations in Scotland. That put at risk the flow of cash needed to purchase the fleet of heavy dump trucks and other equipment for expanding production.

According to Mr McErlain, however, this difficulty has been overcome. This company is on course to raise production in Scotland from 3,000 to 4,000 tonnes a week; and to reach similar totals from the four sites in Durham and Northumberland, and the site at Telford, Shropshire.

Unlike the large civil engineering companies, such as Costain and Taylor Woodrow, which supply coal under contract to the National Coal Board's Opencast Executive, Anglo United prefers, where possible, to develop its own greenfield sites and to sell directly to the market.

Despite picketing of some of its sites (at others no pickets were seen throughout the dispute) it was able to supply power stations in various parts of England.

That trade rose sharply in the autumn when power stations in the Manchester area suddenly became accessible. By then, some of Anglo United's undelivered stocks had risen so high that they were in danger of catching fire through spontaneous combustion. Mr McErlain believes that an urgent letter he wrote to Mr Peter Walker, the Energy Secretary, helped to trigger off the movement of this inflammable coal to power stations.

David Churchill looks at moves to turn round the fortunes of a retail chain

Woolworth polishes its image

PROBABLY the biggest mistake John Beckett made when he took over as chairman of Woolworth Holdings in late 1982 was not retaining the Paternoster Stores name used as the takeover vehicle by the consortium of financial institutions, which acquired the stores chain from its U.S. parent.

Mr Beckett and his colleagues did flirt with the idea of keeping the Paternoster name but were persuaded to retain the Woolworth identity. Unfortunately the Woolworth name – while firmly established throughout the world as being one of the giants of retailing – had become so tarnished in the UK that it yet may prove more of a hindrance than a help in restoring the fortunes of the chain store operations.

Moreover, the Woolworth name masks the fact that the company has strategically moved away from dependence on its chain of 875 stores. Last Thursday's preliminary results for the year to February 3 clearly showed this.

The Woolworth stores chain plunged into a loss of £5.1m, from a trading profit the year before of £7.6m, although the loss partly stemmed from charging the stores an economic rent for occupying prime sites.

The jewel in the crown – producing half of the group's profit before exceptional items – was the 153-strong B & Q do-it-yourself chain. B & Q produced trading profits of £28.6m compared with £19.3m in the previous financial year.

The Comet electrical discount stores, acquired by Woolworth last year, produced £14.9m in trading profits. This was about the same as the year before the Woolworth takeover, but still considerably more than the main chain could achieve.

Mr Beckett is the first to acknowledge that the Woolworth chain stores' performance was "not yet at all satisfactory" but remains confident that the potential for the chain remains. He has always maintained that turning round the decades of decay would take at least seven years and the half-way mark has yet to be achieved on this time-scale.

"But as a group we are making very positive strides," he insists. "We are actually doing things – such as combining store sites with out of town ventures and creating 'satellite' stores – which other people are still only talking about."

The company is in fact divided into four autonomous divisions: B & Q; Comet; the chain stores; and larger Woolworth superstores, including Woolco and Furnishing World.

Yet in spite of the healthy trading performance of B & Q and Comet, attention – both externally and inside the company – still remains firmly centred on the problems of the main chain of stores. No matter how successful B & Q becomes, the success of Mr Beckett and his colleagues will undoubtedly be judged on what happens to Woolworth in the High Street.

Woolworth's problem is that it is trying to build a new marketing strategy for its chain stores at the same time as the retail world itself is in a state of flux. The 1980s seem likely to become a key decade of retail change.

Change in the 1980s has been accelerated by the recession, which has not only reduced spending power but made consumers change their spending habits. In addition, the comparatively low level of inflation in recent years has exposed those retailers which had become rather flabby during the inflationary 1970s. When inflation is high it is easy for a retailer to increase prices rather than improve efficiency.

Retailing in the UK in recent years has seen dramatic changes with new entrepreneurs moving in – such as Sir Terence Conran of Habitat and Mr Phil Harris of Harris Queensway.

Other trends that have emerged include the proliferation of specialist multiples, especially in women's fashionwear, and the move by established retailers, such as Marks & Spencers, into new product areas.

All this has left the traditional Woolworth retail formula looking a little jaded. Mr Beckett and his new team of young managers – a mixture of hardened retailers and executives with top-level business experience – have developed what they believe is the best marketing strategy to pull the stores round. The holding company is prepared to back this up with substantial capital investment – about £50m a year on average in the next five years.

The new marketing plan is to concentrate on selling in six fundamental areas: do-it-yourself; clothing; leisure; convenience; daily provisions; and housewares. There will be 12 "core" departments in these six broad areas, backed up by a further 12 support departments, as well as five 'traffic-building' departments.

The big difference to the present formula is that the 12 main departments will by 1986 account for about 75 per cent of total selling space, rather than just over 57 per cent now.

The new strategy, is based on appealing to a more closely-defined target group than at present – the 25 to 44 age group in the lower-middle and skilled working classes. This group accounts for the bulk of consumer spending in Britain.

To help get the marketing message across Woolworth is also employing outside design consultants and is experimenting with store layout and design.

The store-closure programme – which has seen more than 150 outlets sold in the past two years – may also be coming to an end although there are still several uneconomic stores facing closure.

Mr Beckett points out, however, that the Woolworth group has more selling space than when the company was acquired, albeit largely as a result of B & Q's expansion and the takeover of Comet.

Yet Woolworth, with almost 14m sq ft of selling space – nearly five times that for British Home Stores and twice that for Marks & Spencer – is still a long way from emulating the financial performance of those two competitors.

The London stock market showed this week that it still has faith in Mr Beckett's grand plan to bring the wonder back to Woolworth by marking the share price up by 62p on the day the results were announced. The honeymoon may soon be over, however, if the main stores chain does not show more significant signs of being on the right track in the coming 12 months.

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UK OVERSEAS TRADERS

Bringing more of the riches back home

By Stefan Wagstyl

BRITAIN'S overseas trading companies, which made their fortunes in the far-flung corners of the Empire, are bringing more of their riches back home.

The £116m takeover by Harrisons and Crosfield, once one of the largest plantation owners in Malaysia, of the East Anglian agricultural company Pauls is the latest and one of the largest moves by the trading groups to make acquisitions in the UK.

Buying British has been a key part of the transformation of these companies which began in the 1960s and has gathered pace in the 1980s.

The common thread has been a need to diversify away from traditional activities in general trade between Britain and her former colonies, in plantations, mining and shipping.

Almost everywhere the traders have had to respond to the demands of post-colonial governments for greater control over their economies.

In Malaysia, Harrisons and Crosfield escaped the fate of fellow planters Sime Darby and Guthrie Corporation (which were taken over by local interests), by cutting a majority stake in its plantations company to 30 per cent in 1982.

The threat of nationalisation has not been the only problem. Spurred by mounting foreign debt in the late 1970s and 1980s, several countries imposed strict foreign exchange controls, making it awkward to remit dividends to the UK, and sometimes interfering with the flows of commercial credit. Even in countries where profits on paper are very high, traders have thus been unable to reap the rewards in hard cash.

Oil-rich Nigeria is a case in point.

Companies have also had to respond to changes in the pattern of trade. Dalgety, which made its fortune over 150 years from the agricultural commerce between Britain and Australasia, deliberately set out in the 1970s to cut its dependence on these links through diversification. It was reacting in part to the unpredictable and violent impact of Australian droughts on group profits, but also to the expected effect of the UK's entry into the EEC. Last year, Dalgety sold its remaining interests in New Zealand while this year its stake in its Australian company is to be cut to under 50 per cent.

As the world changed, several traders saw investing in the UK as a particularly attractive option chiefly because it is, after all, regarded as secure and familiar territory, despite a reputation for slow growth.

The change in tax law in 1973 which brought in Advance Corporation Tax provided another incentive. In effect this was a tax on dividend payments which penalises companies with a high proportion of overseas earnings. ACT, for example, helped drive the tax charge of Inchcape Group which earns much of its profits in the Far East to 73 per cent in 1983.

The UK has not been the only home for the traders' investments. Dalgety, for example, has matched UK acquisitions made in the past six years, with similar, purchases in the U.S., Lonrho, with acquisitions on both sides of the Atlantic in its portfolio, says it means to buy more in the U.S.

But few trading companies have abandoned their colonial roots: Lonrho still makes more than half its profits in Africa, and Mr Tiny Rowland, its chief executive, prides himself on his knowledge of the continent.

Companies are adapting to survive—looking for new activities, often in modern manufacturing industries and specialised services to replace the simpler services which local companies have taken over. In Nigeria, for example, Paterson Zochonis has gradually withdrawn from general trading to concentrate on local manufacture of soap, toiletries and refrigerators, with Nigerian partners in its operating companies.

LONRHO Paterson Zochonis. H&C Inchcape

TRADERS ON MOVE—% GEOGRAPHICAL ANALYSIS OF TURNOVER

		1970	1983
James Finlay	UK	25	57
	Africa	42	16
	Asia	13	14
	U.S. and other	20	13
Lonrho (1984 figs.)	Europe (mainly UK)	19	71
	Africa	81	24
	Americas	—	6
Paterson Zochonis	Europe (mainly UK	—	26
	Africa (mainly Nigeria)	100	64
	Asia and Australia	—	10
Harrisons and Crosfield	UK	47	34
	Asia (Malaysia)	38	14
	U.S. and other	15	52
Inchcape	UK and Europe	17	34
	Asia	61	54
	Other	22	12
Dalgety	UK	10	51
	Australasia	78	7
	U.S. and Canada	12	42

A glance at the activities of each company shows both comparisons and contrasts:

● For Harrisons and Crosfield the takeover of Pauls is an attempt to invest some of the £146m the company received from cutting its stake in its Malaysian plantations.

The group which is forecasting sharply increased profits of £82m pre-tax for 1984 after six flat years wants to add agricultural interests in temperate climates to its existing tropical businesses and make Pauls "the flagship for a sizable new mainstream activity."

The move parallels steps Harrisons has provisionally taken in timber; knowing that its exclusive logging concession in Sabah was due to expire in 1982, it invested in UK timber companies in the 1970s.

Harrisons has also built up a string of chemicals companies in the UK, the U.S. and Australia, mainly in chrome chemicals and in distribution.

There is no suggestion of abandoning the plantations. Among the group's recent purchases was the acquisition in 1981 of an increased stake in London Sumatra Plantations — which deals in palm oil, cocoa, tea and rubber in Indonesia.

● The contrast with Dalgety, which has deliberately reduced its interests in its traditional Australian territories, could not be more marked. Dalgety's first diversification was into Canadian timber. It has made a much stronger push into food processing — buying Spillers, the milling and baker group, for £74m in 1979, and the agricultural division of Ranks Hovis McDougall for £42m in 1983. In the U.S., Dalgety acquired Dalgety Foods, a frozen food company, and Martin Brower, a highly successful supplier to the McDonald's fast-food chain.

Mr Terry Price, managing director, says the group, which last year made £67m pre-tax has achieved its aim of better earnings quality with a more broadly based company.

● Lonrho's pursuit of the House of Fraser has distracted attention from the string of interests it has built up in UK engineering, motor distribution and leisure, including a chain of London casinos.

Across the Atlantic, its biggest success has been the acquisition in 1981 of Princess Properties, a group of hotels in Mexico and the Caribbean, whose profits helped to push the 1984 group total to £135m pre-tax, exceeding the previous 1981 peak.

● Fellow African trader Paterson Zochonis says it is happy to have remained dependent on its 100-year-old links with Nigeria. The UK purchases of Cussons soap company and Odex Racasan toiletries group in the mid-1970s pale in comparison with the £100m invested in new plant in Nigeria in the last four years.

PZ, which made £30.9m pre-tax in the year to last May, says its future lies in close co-operation with its Nigerian partners.

● For Inchape consolidation has recently been the order of the day. The group was a keen buyer of British businesses in the 1970s. Under Sir David Orr, who came from Unilever to take over as chairman in 1983, Inchcape has been reorganising its 500 or so individual companies to concentrate on its core activities of general trading, motor distribution and shipping services. In the UK, while motor dealerships like Mann Egerton have stayed in the group, peripheral businesses such as the Gray Dawes merchant bank have been sold. The money raised has been used to buy the trading activities of the Transcontinental Services Group—including a cargo inspection company.

In Asia Inchcape has been under pressure—it was forced to sell its assets in Malaysia in 1982 and 1983, and in Thailand it was hit by heavy losses in its farm equipment business, which helped to convert 1983's pre-tax profits of £70m into a £15m attributable loss after extraordinary write-offs. Inchcape will not abandon its commitment to the East—in particular it sets great store by the prospects of trade with China.

● If proof were needed that, despite the changes of the past 15 years, traders stay close to their origins, then James Finlay provides it. This Glasgow-based tea company, established in the mid-18th century, made some adventurous UK acquisitions in the 1970s—buying into financial services and oil and gas exploration in the North Sea and the U.S. In the past two years it has been tea, buoyed by a world surge in prices, which has boosted profits—accounting for more than 60 per cent of the company's £27.7m pre-tax total in 1983 and expected to provide a similar contribution in 1984.

Clearly, the traders have not found it easy to diversify around the world while trying to control their often troublesome existing businesses. In the process, the more acquisitive companies have begun to look more like industrial or agricultural conglomerates than their former selves.

Additional research by Sue Hopkins and Datastream.

BASE LENDING RATES

A.B.N. Bank	13 %	Johnson Matthey Bkrs.	13½%
Allied Irish Bank	13½%	Knowsley & Co. Ltd.	14 %
Henry Ansbacher	13½%	Lloyds Bank	13½%
Amro Bank	13 %	Edward Manson & Co.	14 %
Associates Cap. Corp.	14 %	Meghraj & Sons Ltd.	13½%
Banco de Bilbao	13½%	Midland Bank	13½%
Bank Hapoalim	13 %	■ Morgan Grenfell	13 %
BCCI	13½%	Mount Credit Corp. Ltd.	13½%
Bank of Ireland	13½%	National Bk. of Kuwait	13½%
Bank of Cyprus	13½%	National Girobank	13½%
Bank of India	13½%	National Westminster	13½%
Bank of Scotland	13½%	Northern Bank Ltd.	13½%
Banque Belge Ltd.	13½%	Norwich Gen. Trust	13½%
Barclays Bank	13½%	People's Tst. & Sv. Ltd.	14½%
Beneficial Trust Ltd.	14 %	Provincial Trust Ltd.	14½%
Brit. Bank of Mid. East	13 %	R. Raphael & Sons	13½%
■ Brown Shipley	13½%	P. S. Refson	13½%
CL Bank Nederland	13½%	Roxburghe Guarantee	13½%
Canada Perm't Mtge	13½%	Royal Bank of Scotland	13½%
Cayzer Ltd.	13½%	Royal Trust Co Canada	13½%
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	13½%
■ Charterhouse Japhet	13½%	Standard Chartered	13½%
Choulartons**	[illegible]	TCB	13½%
Citibank NA	13 %	Trustee Savings Bank	13½%
Citibank Savings	¶12¾%	United Bank of Kuwait	13 %
Clydesdale Bank	13½%	United Mizrahi Bank	13 %
C. E. Coates & Co. Ltd.	14 %	Westpac Banking Corp.	13½%
Comm. Bk. N. East	13½%	Whiteaway Laidlaw	14 %
Consolidated Credits	13½%	Williams & Glyn's	13½%
Co-operative Bank	*13½%	Wintrust Secs. Ltd.	13½%
The Cyprus Popular Bk.	13½%	Yorkshire Bank	13 %
Dunbar & Co. Ltd.	13½%		
Duncan Lawrie	13½%		
E. T. Trust	14½%		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	14 %		
■ Robert Fleming & Co.	13½%		
Robert Fraser & Ptns.	14 %		
Grindlays Bank	‡13 %		
■ Guinness Mahon	13 %		
■ Hambros Bank	13 %		
Heritable & Gen. Trust	13½%		
■ Hill Samuel	§13½%		
C. Hoare & Co.	†13½%		
Hongkong & Shanghai	13 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1 month 10.75%. Fixed rate 12 months £2,500 10.75%. £10,000 12 months 11.00%.
† 7-day deposits on sums of under £10,000 10¼%, £10,000 up to £50,000 11¼%, £50,000 and over 12%.
‡ Call deposits £1,000 and over 10%.
§ 21-day deposits over £1,000 11¼%.
¶ Mortgage base rate.
§§ demand deposits 10¼%.
** See Provincial Trust Ltd.

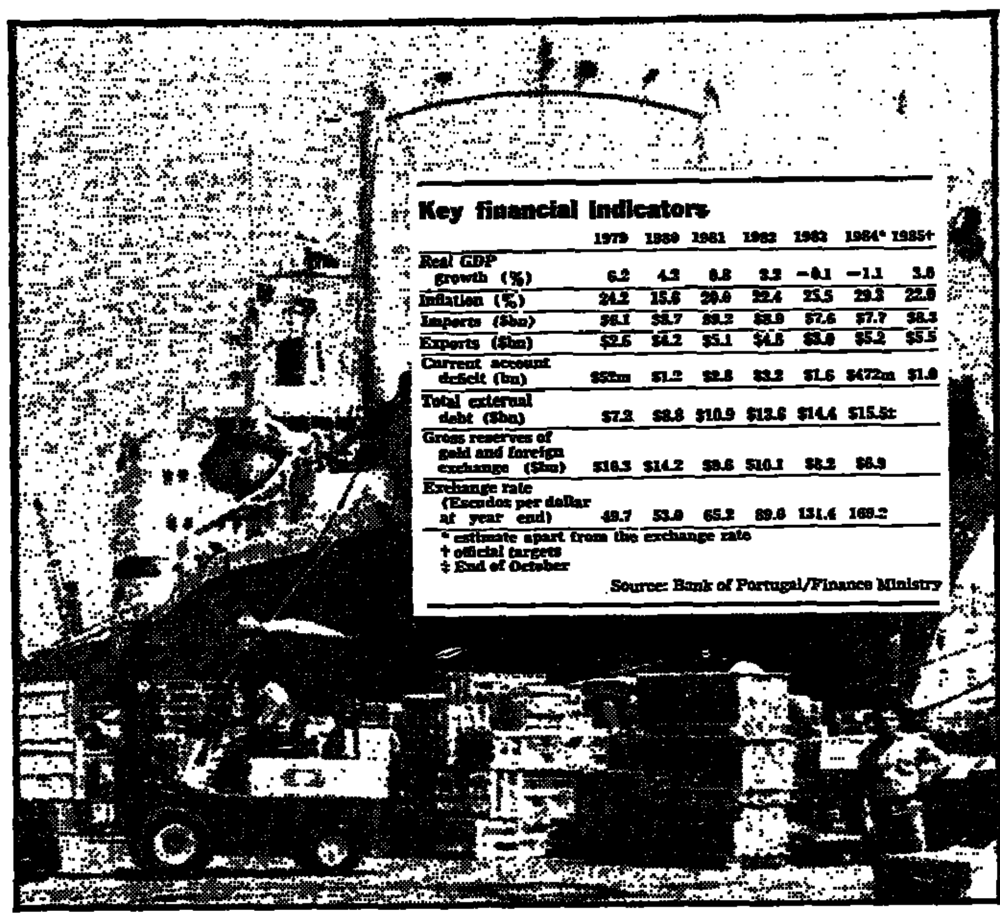
FINANCIAL TIMES SURVEY

Tuesday April 2 1985

PORTUGAL

BANKING, FINANCE AND INVESTMENT

Portugal is enjoying a surge in its export sectors, plus greater market liquidity and a strong external account performance. Foreign investors, however, are often hindered by regulations which could deter major international investment.



Key financial indicators

	1979	1980	1981	1982	1983	1984*	1985†
Real GDP growth (%)	6.2	4.2	0.8	3.3	−0.1	−1.1	3.0
Inflation (%)	24.2	15.6	20.0	22.4	25.5	29.3	22.0
Imports ($bn)	$6.1	$8.7	$9.2	$8.9	$7.6	$7.7	$8.3
Exports ($bn)	$2.6	$4.2	$5.1	$4.6	$5.0	$5.2	$5.5
Current account deficit (bn)	$52m	$1.2	$2.8	$3.2	$1.6	$472m	$1.0
Total external debt ($bn)	$7.2	$8.8	$10.9	$13.6	$14.4	$15.5‡	
Gross reserves of gold and foreign exchange ($bn)	$10.3	$14.2	$9.6	$10.1	$8.2	$8.9	
Exchange rate (Escudos per dollar at year end)	49.7	53.0	65.2	89.0	131.4	169.2	

* estimate apart from the exchange rate
† official targets
‡ End of October

Source: Bank of Portugal/Finance Ministry

Signs of vigorous export growth, despite a restrictive domestic climate.

Contents

A big boost for external accounts

PORTUGAL'S ECONOMIC Oscars in 1984 have been awarded to that epic "The incredible shrinking current account deficit," produced by the Mario Soares Government, directed by Finance Minister Ernani Lopes from a script by the IMF, starring vigorous export growth, tourist boom and major emigrant remittances with a supporting cast of dropping imports, credit limits and careful foreign borrowing.

There were doubts about negative domestic effects of the producers' fight to keep down costs, but this did not detract from the triumph of the external accounts.

By DIANA SMITH in Lisbon

Praise was meted out on March 21 at a gathering in Lisbon of 47 international banks (led by Banque Nationale de Paris, Bank of Tokyo, Industrial Bank of Japan, Lloyds Bank of the UK, and Manufacturers Hanover and Citicorp from the U.S.) which signed the 1985 Republic of Portugal U.S.$500m loan—the largest sum on the longest term (eight years) with lowest spreads over Libor (five-eigths of a percentage point) Portugal has enjoyed in the 1980s.

Market liquidity and the muscular external account performance encouraged bankers to let Portugal in on new financing instruments — *short-term notes* backed by a revolving credit facility underwritten by the six lenders — *for half the Republic* loan. The other half was a classic syndicated Euroloan.

The *Bank of Portugal, whose* new Governor is Sr Vitor Constancio, a wily negotiator of Republic borrowing in recent years, was inundated with sophisticated offers by major banks eager to participate in this year's operation.

That was heady stuff for an institution which had to sweat to get lenders to join a thinly subscribed Republic loan in early 1983, before a snap general election brought in the Socialist-Social Democrat coalition and long-needed austerity. Comparative figures are eloquent.

In 1982, piecemeal economic management by the previous centre-right coalition and reckless private consumption, drove the current account $3.2bn into the red against GDP of about $21bn.

By the end of 1983, by which time the first effects of bravely-enforced austerity had halved the deficit to $1.6bn, Portugal's creditors began to breathe more easily. So did the Government—*when it was not ducking* fierce domestic criticism over falling buying power and rising unemployment.

After 18 months of austerity and an enthusiastic response by exporters *to renewed European* and American demand, the deficit shrivelled to $472m, the lowest since 1979 and just over a third of the original 1984 target of $1.2bn agreed with the IMF. Its ratio to GDP shrank to 2.3 per cent.

Offsetting a slump in construction, *foodstuffs* and vehicles, strong production increases in footwear, textiles, wood *products (including* pulp and paper), chemicals, base metallurgical products *and machine components* — all export-orientated — demonstrated that many Portuguese manufacturers had the drive to create additional business, however restrictive the domestic climate, and in spite of claims by industrial associations such as the CIP (Confederation of Portuguese Industry) that the country was unable to function.

Exports grew from $4.5bn in 1983 to $5.2bn in 1984, cutting the trade gap from $2.88bn in 1983 to $1.88bn a year later—a far cry from the $5.1bn 1981 gap that strained Portugal's resources intolerably.

This occurred in the contradictory context of a 20 per cent drop in productive investment and a drama where tens of thousands of workers in undercapitalised companies, or in those owed payment by a heavily restrained public sector, *went unpaid for months,* preferring to take unpaid employment than to endure unemployment with few or no benefits. Only in late 1984 did the Government institute a more comprehensive unemployment benefit system.

Investment companies, whose business is medium-term, industrial project lending, reported booming 1984 business. Their multinational and export-oriented clientele continued to invest and expand.

In 1985 export growth may not maintain its 14 per cent 1984 levels, but the Government forecasts 8 per cent export growth, and identical import growth, with a modestly-expansive GDP growth of 3 per cent. Constant watch will be *kept on credit and imports to* prevent a repetition of the explosion of import demand in *1980-82 that sent current* account into a tailspin.

A significant improvement

The current account also had a boost from 30 per cent growth in tourism bringing in $9.6m people, and from emigrants' remittances. These picked up after a three year decline. The 1985 deficit is now targeted at $850m, $1,150m less than the original figure agreed with the IMF whose 18 month $380m standby deal expired in February. Cash flow improved so markedly that Portugal did not take delivery of the final $90m tranche.

Political hesitations similar to those of previous years prevented the implementation of sweeping proposals to streamline the public sector. Once again public sector spending exceeded targets and forced a revised state budget deficit, equivalent to 9 per cent of GDP. One sector did well, however—public transport which through ruthless pruning of overheads reduced its deficit by Esc 14bn ($85m).

In principle, the coalition now has a strict timetable for implementation of long-delayed, much-discussed public sector reforms. Whether it keeps to it depends on the ability of the Government to withstand the unrelenting erosion caused by the Social Democrat Party (PSD) junior coalition partner whose disputatious national council has acted more like a party in opposition than a partner in government.

Angered by perpetual PSD friction, the executive committee of the Socialist Party led by Sr Soares recently issued a strongly-worded, angry communique accusing the PSD of trying to enjoy simultaneously the benefits of power and the advantages of opposition.

The latest issue to absorb PSD energies is the Presidential election, due late this year when Gen Antonio Ramalho Eanes' second mandate expires.

The general cannot constitutionally run for a third term. Wanting to continue in a so-far-undefined political role, he has let a new party, the PRD (Democratic Renewal Party) be formed around his image. After a shakier debut than observers expected, the PRD has declared its intention of participating in elections, but so far it is short of a charismatic Presidential candidate.

So is the PSD, which rejected Sr Soares' idea of supporting his Presidential campaign — giving the Social Democrats the prime ministry in the case of a Soares victory. It is flailing about for a suitable military or civilian candidate of its own.

The PSD's power plays have been counterbalanced by Socialist insistence on putting government and stability first and party issues last — and the economy has benefited from modest liberalisation of banking and capital markets.

Financial sector soldiers on

The cool style of Sr Ernani Lopes who has taken the lion's share of blame for the effects of austerity from the moment that, as a political independent, he took office as Finance Minister in June 1983, has helped the financial sector to soldier along, ignoring party squabbles and pursuing the cardinal task of making the Portuguese economy less rigid and over-bureaucratised and less structurally weak.

On the home front, the Finance Ministry has seen with some satisfaction early signs of market forces asserting themselves in banking as new enterprises join the scene.

In Brussels, where Sr Lopes has overlorded EEC negotiations, the professorial, pipe-smoking minister finally allowed himself a hopeful smile when Portugal crept nervously towards the finish line in late March, after seven arduous years.

The Brussels *negotiations* were an object lesson for the Portuguese in hard-nosed, *realistic bargaining to which the* country was unused after generations of political and economic isolation.

U.S. officials have energetically coaxed sceptical American businessmen to look closer to Portugal as a field for joint ventures. Captains of British industry embarked, literally, on a well-bred soft sell session on board the Royal Yacht Britannia, during the visit to Lisbon of the Queen, hoping to convince Portuguese officials and businessmen of the merits of British technology.

Barclays Bank has signed a protocol with the foreign investment institute to help promote investment in Portugal through the bank's world wide network. Numerous diplomats and officials from the EEC and elsewhere strive continually to interest their citizens in bringing capital and technology to Portugal.

It would help if many Portuguese officials followed the examples of the Brussels negotiating team and attempted the possible, rather than the highly expensive economically unjustifiable, grandiose schemes. It would help, too, if red tape were eliminated faster and farther—it is still a major obstacle to new foreign investment in Portugal.

The pace quickens as market forces awaken

The commercial bank system

DIANA SMITH

THE ANAESTHETIC is wearing off. Market forces, driven into deep sleep when Portugal's commercial banks were nationalised in 1975, are awakening. Customers have started to feel the benefits of dwindling bureaucracy and rising competitiveness.

The system first began to stir in 1982 when leasing and investment companies, usually backed by mixed Portuguese and foreing capital, appeared on the market. They rapidly attracted clients eager to modernise or expand their businesses with the help of the different financing instruments offered by the new arrivals.

Many of the eight Portuguese commercial banks that emerged from nationalisation and mergers of 17 banks in 1975 have shares in leasing companies that to succeed must be strongly-competitive, efficient and unbureaucratic: attitudes which are poles apart from trends that prevailed in the nationalised banks, three years ago.

The pace quickened after 1984. Legislative changes re-opened banking to new foreign or domestic capital, with a minimum capital requirement of Esc 1.5bn ($8.2bn) at current exchange rates—rather cheaper than the $11bn the requirement was worth before the dollar soared and the escudo dipped.

Nine foreign banks applied to open branches. Of the first two authorised, Manufacturers Hanover Trust, already with suitable premises, raced into operation last November. It now has Esc 7bn ($40m) deposits with 60 to 70 potential customers a day making inquiries.

Three Portuguese Commercial banks have applied for licences—Portuguese commercial bank applicants — Banco Comercial Portugues, Novo Banco Comercial and Banco De Comercio Internacional—the first two with largely northern capital often from the same investors as SPI original capital, the third a venture of the Espirito Santo family, who were dispossessed in 1975, and of France's Credit Agricole, are strong contenders for licences before the summer.

Psychologically, their arrival on the scene will help to wind up a chapter of politically-motivated, bureaucratic shackling of the banking system.

Excesses

Nationalised commercial banks whose Marxist rationale in 1975 was central domination—however sluggish or loss-making—of financial networks and industrial assets often controlled in the old regime by family banks are, a decade later in a different political climate, forced to re-learn how to be banks, rather than arms of the civil service.

They must do so not only under the burden of past mistakes that drove nationalised banks to open hundreds of expensive branches with little thought for cost-efficiency or quality of service. Staff excesses, too, were partly caused by the influx of 7,500 bank employees from former colonies. They had to be accommodated in national banks. Then there were the erosive effects of stop-go economic policies and frequent government changes over the last decade that have left the banks with lopsided sight and time deposit ratios, weak capital structures and pinched margins.

Austerity and a lack of ideas of what can best be done with savings has recently driven up the volume of six-month to one-year deposits, the favourite bracket of Portuguese savers.

Currently, these deposits pay 27 per cent interest, minus income tax: their average growth rate in 1984 was 24-25 per cent compared with growth of less than 15 per cent of sight deposits.

Decrease in sight deposits that are cheap for banks, mushrooming of time deposits that, bankers estimate, cost them 31-32 per cent computing overheads, and tight Government-imposed lending ceilings to enforce austerity, produced negative 1984 margins for even the strongest Portuguese commercial banks, and smaller profits for aggressively-competitive foreign banks such as Lloyds.

Lloyds gave itself a market face-lift when it dropped the old Bank of London and South America name and image last year and adopted the name and approach of the parent bank.

Stronger capital ratios, rapid efficient services and the ability to respond to shifting demands have given foreign banks a growing market share — now close to 4 per cent compared with 1.5 per cent a few years ago. Lloyds, with Esc 19bn deposits and 10 branches is hot on the heels of the foreign leader, Credit Franco-Portugais (Credit Lyonnais) with its Esc 23bn deposits and 11 branches.

By the end of this year, the growth of Manufacturers Hanover and Chase operations will further alter the foreigners' market share.

But all the deposits of existing foreign banks put together are far behind those of the largest Portuguese commercial bank, Banco Portugues do Atlantico (BPA) with its nearly Esc 500bn ($3bn) deposits.

The BPA is a pioneer in innovations (for Portugal) such as the Eurocheque and automatic telling machines (ATM), whose growth BPA had to restrain on Government orders until other nationalised banks could install their first ATM's.

The BPA is pioneering another concept with which it hopes to attract some 200,000 customers from its existing 1m clientele or new sources: the multi-service account, a checking account offering access to preferential treatment at BPA counters, special credit for medical, educational or housing bills, standing order payment of utility bills and access to the bank's sophisticated data bank and ecomnic publications.

The BPA hopes to improve its checking account versus deposit account ratio with the new system.

Meanwhile, prominent figures who began their careers in the 1960s with the BPA, the first Portuguese bank to employ university graduates as management trainees, are now rolling up their sleeves and with visible relish tackling the challenge of making nationalised banks more profitable.

Replacing Sr Francisco Veloso, a BPA graduate who left nationalised banking to help run SPI, Sr Rui Vilar, until recently Deputy Governor of the Bank of Portugal, has taken over the Banco Espirito Santo e Comercial de Lisboa (BESCL), the third largest commercial bank, with a healthier profit ratio than some competitors, but much room for improvement.

The BESCL did not rush into hectic branch openings, kept close tabs on lending, avoiding onerous bad debts provoked by a rash of thoughtless or politically motivated lending in 1975-76, and has done good business in export financing, a preferential credit area established by the authorities permitting banks to raise credit ceilings proportionately to credit they grant to agriculture, new industries and export.

At the Banco Totta e Acores, the fourth largest bank with deposits of Esc 251bn, another BPA personality, Sr Raul Capela, for years the energetic director of BPA's international division, has taken over as chairman with a particularly tough challenge.

Banco Totta inherited the financing of a broad-ranging welfare system set up by its former owners the Mello family who controlled much of Portugal's basic industry.

The system has cost the bank about $65m in the last nine years. Banco Totta has sagged under the burden, and run up regular losses.

Like other banks, Totta is adopting a cheque guarantee card/ATM system, the Totta-card and a Golden Card for customers with particularly solid checking account balances: all banks will soon avail themselves of a new centralised computer service, the interbank service system, that will permit rapid interbank credit information.

Teleprocessing and connection to the international SWIFT bank transfer system have helped Portuguese banks reduce customer waiting time—once 45 minutes or more to cash a simple cheque and reduce paperwork.

While commercial banks strive to streamline the tools of their trade and face competition from new arrivals, questions arise about the future of weaker, smaller banks. The answers are unlikely to come until there is a more accurate gauge of the impact of new banks, and until legislation permits a different approach.

Only in a different climate would it be possible for someone to buy a majority of a weaker Portuguese bank. That climate is impossible without more symbiotic relations between presidents of the republic and governments, breeding harmonious constitutional change that reverses the "hands off nationalised banks" diktats of the 1976 constitution and 1982 amendment. A change might begin with presidential elections, due in December.

Governments will not indefinitely shift treasury funds to weak banks, now the market is coming into play.

Network

Portugal's commercial bank network is complemented by solid institutions such as the Caixa Geral de Depositos, the National Savings Bank and only Portuguese institution on the list of the world's largest banks (Esc 545bn deposits in 1983), and the Banco de Fomento Nacional, the national development bank.

Operating as funnels for credit to small / medium business, agriculture and fishing, manufacturing and special projects backed by World Bank, European Investment Bank, EFTA or other special funds, the two huge institutions play a vital role in Portugal's economic development and international co-operation.

They, like many commercial banks are moving their headquarters uptown to newer Lisbon, away from the downtown shadow of the Finance Ministry and its 18th-century edifice by the River Tagus.

The drift to an area of shiny new glass towers looks like a collective bid, long overdue for more independence and more market-conscious services.

There is growing competition among Portugal's commercial banks. Above: the Rua de Sao Paulo, Lisbon, with the Banco Português do Atlantico, on the right

Dr Mario Soares, Prime Minister of Portugal: his Government won praise this year from the international banking community for achievements in the country's external accounts

Portugal's strong-willed Finance Minister, Sr Ernani Lopes: seeking a more flexible system

Commercial banks in Portugal

Banks	Gross assets (m Es)	Total deposits + credit granted (m Es)	Number of bank branches	Staff	Position in international banking ranking
PORTUGUESE					
Banco Português do Atlântico	519,136	711,866	145	6,134	366
Banco Pinto & Sotto Mayor	448,246	612,624	145	7,145	425
Banco Espírito Santo & Comercial de Lisboa	385,810	510,262	134	6,624	464
Banco Nacional Ultramarino	370,317	392,793	149	5,622	468
Banco Borges & Irmão	368,838	540,758	105	4,640	477
Banco Totta & Açores	347,315	434,036	124	4,982	484
União de Bancos Portugueses	223,048	304,354	119	4,338	
Banco Fonsecas & Burnay	205,692	277,329	99	4,164	
FOREIGN					
Crédit Franco-Portugais	25,851	32,851	9	444	
Bank of London and South America (Lloyds B.I.)	14,251	16,403	9	271	
Banco do Brasil	1,613	1,383	2	56	

Source: Banco Portugues do Atlantico, December 31, 1983

Crucial issue over credit ceilings

Doors open to foreign banks

WILLIAM CHISLETT

PORTUGAL is opening its doors to more foreign banks in the hope that they will galvanise the elephantine state banking sector into becoming more efficient and modern and will spur the liberalisation of the financial system ahead of the country's membership of the EEC.

Manufacturers Hanover Trust and Chase Manhattan have set up full branches in the past three months which are concentrating on wholesale corporate business. They joined the three other foreign banks—Lloyds Bank International, Credit Franco-Portugais (part of Credit Lyonnais) and Banco de Brazil—which set up retail banking networks before the 1974 revolution and were the only banks to escape nationalisation.

A second round of foreign and Portuguese private bank authorisations is expected no earlier than April. Twelve banks have submitted applications to the surprise of the Bank of Portugal, which was not expecting such a large demand for so small a market.

A certain amount of sabre-rattling is now going on among those banks which have just set up and those which are hoping to be authorised. The banks fear that the Bank of Portugal may not be as flexible with them as they were apparently given to believe, and this could squeeze their operations at a vulnerable stage.

The central issue is credit ceilings and how and when they should be applied to the new banks. The subject is causing some consternation among bankers since their level of profitability hinges upon the kind of leverage they are given.

The issue is crucial. If the credit ceiling is much lower than expected then the banks recently authorised, and those wanting to set up, may have second thoughts about the viability of Portugal. This would torpedo the Government's plans to open up the system to foreign banks.

It should be stressed that there would have to be a dramatic breakdown in the discussions now taking place for this to happen. Both the new foreign banks and the Government have an interest in reaching a satisfactory agreement. Nevertheless, the fact that bankers are raising such a question is itself a comment on a delicate and highly complex situation, although they have a vested interest in over-stating their case.

Essentially, the new foreign banks would like unrestricted growth on the credit side of their business until they have a loan portfolio in the order of Es15bn—or 10 times their capital of Es1.5bn, the minimum needed to set up.

Such a leverage would not be too far out of line with the international norm. Only then would the Bank of Portugal apply its complicated credit ceiling formula, which establishes a monthly limit on the amount of new loans a bank can grant. Foreign bankers claim that in their discussions with the Bank of Portugal a leverage of this order was tacitly accepted.

The formula used, which is regarded as a state secret, assesses the weight of each bank within the sector, based on the structure of its deposits and loans. The global ceiling is then divided up among the banks accordingly. The foreign banks already established account for less than 2 per cent of the total credit granted.

In calculating the formula the Bank of Portugal has come up with a multiplier factor which is understood to be 1.4 for the new banks compared with one for the existing banks. This would give the new banks a proportionately higher ceiling to take into account, that they are setting up, and need to generate business quickly to meet high initial overheads.

The foreign banks say the multiplier factor is too low; a point which the Bank of Portugal now accepts and it intends to raise it.

More importantly, for the banks, the fundamental question of when to apply the formula has yet to be addressed.

"If it is applied from moment zero then we will be castrated," said a European banker whose bank has applied to establish a full branch. "It would give us a leverage of 1—2 and we cannot do business in that kind of situation."

Criticism

Moreover, by establishing a multiplier factor, the Bank of Portugal has laid itself open to the charge that it is treating the new banks more favourably than those already established. The state commercial banks are already nervous about the increased number of foreign banks, and those foreign banks already here, like Lloyds, can hardly be expected to look uncritically at more privileged treatment for their competitors.

Meanwhile, Manufacturers Hanover and Chase Manhattan are operating in a twilight zone while the issue is in the melting pot. It is understood that the loan portfolio level at which the Bank of Portugal had calculated it should start applying the credit formula—Esc. 3bn—had already been surpassed by Manufacturers Hanover.

The Bank of Portugal has told the foreign banks that if they bring in external funds then these would not fall within the scope of the credit ceiling. Foreign bankers are loathe to do this since the central bank will not provide them with exchange risk cover.

FOREIGN BANKS which have applied to establish full branches in Portugal:

- Société Générale de Banque.
- Banque Nationale de Paris.
- Citibank.
- Paribas.
- Barclays.
- Banque Indosuez.
- Banco Central (Madrid).
- Banco Exterior de Espana.
- Bank of Credit and Commerce International.

The central bank argues that its domestic interest rates have been sufficient to offset the large devaluation of the escudo; a point which is not accepted by the foreign bankers. They claim that the Bank of Portugal is back peddling on a verbal promise it made to provide foreign exchange cover.

The Bank of Portugal has observed from the projections made by the foreign banks in their applications that most of them intend to fund themselves more in the interbank market than with deposits. The interbank market is a cheap source of funds as there is considerable excess liquidity — precisely because of the tight credit ceilings which are imposed for balance of payments purposes. The foreign banks, the Bank of Portugal believes, would then do a good business in lending out those funds.

"We cannot let this happen as it would mean stealing credit ceilings away from other banks," said a senior Government official. "The only way the new foreign banks are going to get the kind of leverage they would like in a short time is if they bring in external funds or take deposits."

Foreign bankers, for their part, say that it is only fair to restrict their access to funding themselves on the interbank market if they are given a flexible credit policy which alows them to build up a reasonable loan portfolio.

The debate going on should not obscure the fact that there is profitable business for foreign banks in Portugal despite being a tightly regulated market.

Bankers say that the difference between income earned on loans and the cost of deposits is larger on average in Portugal than in the rest of Europe. This juicy operating margin—up to 10 per cent—is due to the maximum interest rates regulated by the Bank of Portugal for lending and deposits. (Only rates under six months are free).

The state commercial banks would deny this, but this is because they are obliged to give priority to business such as emigrant remittances (more than 1m Portuguese live in France), an important balance of payments item ,which have a high deposit rate.

Foreign banks have more flexibility to pick and choose their business, and are tightly-run ships, unlike the grossly over-manned state banks.

Lloyds operation in Portugal made a net profit of Esc 243m last year, compared to Esc 353m in 1983, and it created for the first time a general provision of Esc 350m, which in Portugal is a good tax charge. The return on its capital and reserves was 19.5 per cent and the return on assets 16 per cent, which makes it a highly profitable concern by international standards.

Lloyds recently carried out a vigorous publicity campaign to get across its change of name in Portugal — from Bank of London and South America to Lloyds Bank International, which it believes is a snappier and more international name in the face of increased competition.

Increase

Lloyds added Braga in northern Portugal to its list of branches, which now number 10. The size of its staff has increased by 10 per cent whereas its balance sheet doubled last year, which means that in 1985 it will have to be even more agile in managing its liabilities.

Apart from the credit ceiling issue, attention is now focused on which banks will be authorised in the second round. It is probable that two private Portuguese banks will be included and three foreign banks. The Bank of Portugal believes the maximum number will then have been reached.

In the first round, European banks were excluded because the Government was annoyed at the way its EEC membership discussions were dragging on, and it wanted to send out a signal to this effect. It was a rather facile approach since the banks have nothing whatever to do with Portugal joining the EEC.

The current theory among local wags is that providing there is no breakdown over Portugal's membership, then two European banks will be authorised—probably Barclays and Banque Nationale de Paris —and Citibank.

Plans to bring radical change in bank rules

THE 139-year old Bank of Portugal, that sober institution that acts as the issuing and central bank and custodian of Portugal's gold, is likely to develop a new look under its new Governor, Vitor Constancio.

At 41, Sr Constancio is one of the world's youngest central bank governors. With some diffidence and a rueful smile, elicited by waiting several months for official confirmation that he was expected to step into the shoes of the retiring governor, Prof Jacinto Nunes, he typifies the image that younger Portuguese public personalities want to give of their generation—internationally respected, politically alert and technically able.

Sr Constancio is no stranger to the central bank: ten years ago he became head of its research department, then in 1977 he was made a vice-governor. Two years ago he became the only vice-governor to instal a personal computer in his office—a reflection of his passion for new technology.

Between his office computer, home computer and the miniature pocket calculator he whips out to give percentages and currency conversions to enquiring visitors, the new Bank of Portugal governor has a fair sample of the tools of modern banking at his personal command.

Young enough to escape the highly formalistic not to say paternalistic conditioning of Portugal's pre-1974 financial system, Sr Constancio has built up a formidable reputation among his compatriots and international bankers and businessmen since he began to appear in public office in the mid-1970s.

He joined the Socialist Party, led by Sr Mario Soares—a party that has shifted regularly to the Right since its 1973 formation and now sits a fraction Left of Centre, and has served in governments in which the Socialists took part—as Secretary of State of Budget and Planning in 1975-76, as chairman of the first Government Commission for European Integration following Portugal's official application to join the European Community in 1977, and as Minister of Finance in 1978-79.

Recently, Sr Constancio has headed the Bank of Portugal team that is instrumental in negotiating the annual Republic of Portugal syndicated loans.

New look at the Central Bank

DIANA SMITH

He is known among participating bankers as a smart bargainer who keeps pace with sophisticated developments in the financial markets and quietly but firmly haggles for the best terms for his country.

Since Sr Mario Soares returned to power in 1983 in the wake of explosive growth of the balance of payments deficit and foreign debt, the Bank of Portugal has had overall responsibility not only for negotiating republic of Portugal borrowing but for supervising borrowing by public sector companies which must fit in with the central bank's annual foreign borrowing programme.

Having had semi-autonomous status and financing before the change of political regime in 1974—some of its shares were quoted on the stock market—the Bank of Portugal was fully nationalised in late 1974.

Even in its more autonomous era it had consistent characteristics: control, painstaking deliberation and often excessive slowness in responding to government policy and new features of the financial system have been its trademarks.

The new governor and the strong-willed Finance Minister, Sr Ernani Lopes, who like Sr Constancio is in his early 40s, want something less rigid and more rapid. Proposals are now being drafted for new rules for the bank and should be in force by the end of this year.

Two radical changes are already in the pipeline. They will make banking more dynamic and elastic: the paternalistic money market set up in 1978 will cease and a new interbank foreign exchange market will begin by June.

Before 1978, Portugal had no interbank money market and no foreign currency market. Banks solicited funds from the central bank, which also fixed daily foreign currency rates and barred any foreign exchange trading. In 1978, an interbank money market of sorts was created: representatives of all banks, national or foreign operating in Portugal, meet three times a week at the Bank of Portugal, supervised by a Bank of Portugal official, seated at the head of the table.

Soon this will end: interbank money marketing will be done between bankers via the telephone and the Bank of Portugal will withdraw from its role as "nanny" in this market.

The foreign exchange market, promised for three years but only now getting off the ground, will be introduced in slow stages: first, an interbank spot market, for which the Bank of Portugal will fix reasonably-wide daily margins inside which banks may trade. In about a year from the start of the interbank spot, an interbank forward market will come into being.

Rather further in the future, international spot and international forward markets will complete the cycle.

This development will put an end to the monopoly held by the Bank of Portugal in foreign exchange transactions and reduce some of the red tape through which even minor foreign exchange transactions must pass.

This innovation has been eagerly-awaited by national and foreign banks, as a means of increasing competivity which the stronger Portuguese banks are starting to welcome as they become more market-conscious and less bureaucratic, and as a sign that Portugal is shifting out of bureaucratic gear into more adventurous cruising speeds.

The paternalistic money market, set up in 1978, will cease and a new interbank foreign exchange market begins in June.

As market forces begin to assert themselves, the Bank of Portugal will, to the relief of its new governor, be able to develop more sophisticated and less paternalistic relations with the banking system, and a more egalitarian and less filial relationship with the Finance Ministry to which it is ultimately responsible.

Sr Constancio is avid for a greater share for the central bank in decisions on financing state budget deficit which hitherto has concentrated on bank loans (at cheatp interest), that drain the national banking system.

Sr Constancio would like to see more recourse to treasury bonds made widely available to a public which, despite austerity and inflation is still among Europe's keenest group of savers.

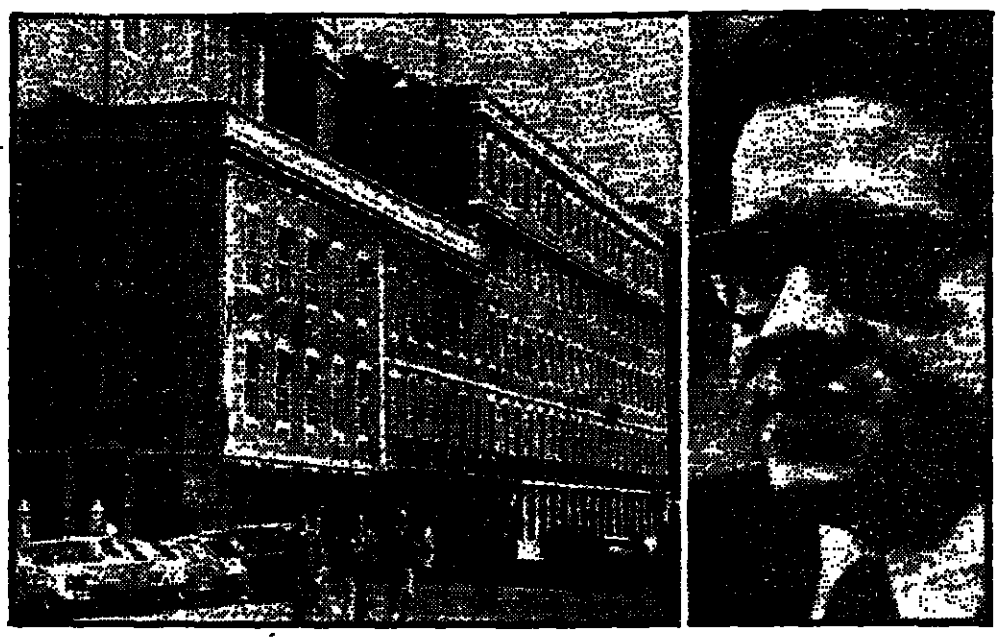
Public response to bond issues by utility or public sector companies has been overwhelming. The Finance Ministry appears to share Sr Constancio's belief that the time has come to attract savers to treasury bonds.

When he took over the governorship, Sr Constancio put aside his Socialist party activities to avoid conflict of interest.

The fact that he is a Socialist who led the party's economic counselling and planning, his appointment was criticised by the junior partner in the coalition, the Social Democrat Party.

The criticism, apparently bred by an urge by Social Democrat leaders to satisfy their rank and file that they were taking independent stands, rather than by doubts about Sr Contancio's qualifications for the job, soon petered out. It proved difficult for the chronically-dissident Social Democrats to sustain an argument against an economist of such prominent international renown.

Sr Constancio was sworn in early March, before a packed audience, in the ceremonial hall of the Finance Ministry, into which national and foreign bankers, cabinet ministers and diverse officials crowded to applaud the new governor and pay tribute to the departing one. Now that the speeches are over, the banking community will start watching the stately stone pile, on the corner of the Rua do Ouro and Rua do Comercio, for signs of modernity and flexibility.



The Bank of Portugal where its new Governor, Vitor Constancio (right) seeks *a less rigid system to make the banking sector more dynamic*

Fresh innovation in the private sector

PORTUGAL'S investment companies and especially Banco Portugues de Investimento (BPI), which was given permission last month to establish the country's first private *investment bank*, are *bringing* change and innovation to a highly undeveloped financial system.

With crippling interest rates, financing by ways of share issues on the stock exchange moribund, and the dead hand of bureaucracy weighing heavily on the state run banking sector investment companies and BPI have appeared as saviours to the hardpressed Portuguese private sector.

It is quite clear from the results of BPI — which began life in 1982 as the investment company *SPI*, the first private financial institution to be set up since the 1974 revolution when the Portuguese banks were nationalised—that there is considerable scope and demand for *their services.*

They include medium-term financing (the main activity), making private bond placements, advising companies about the international capital *markets, locating overseas markets* and potential foreign investors and maybe later intro*ducing sophisticated (for Portugal)* financial instruments like commercial paper. The *territory is virgin.*

BPI made a net profit of Esc 83.5m ($439,460) last year, after Esc 52m in 1983, and put Esc 142m into provisions for sundry risks. After only three years in operation it will distribute its first dividend of Esc 50 per share.

BPI's success is something of a personal trimph for its president, Sr Artur Santos Silva, who *is regarded as one of the guid*ing figures behind Portugal's financial counter-revolution.

A former Finance Minister and deputy governor of the Bank of Portugal in the heady *days after Portugal's revolu*tion, Sr Santos Silva left government when he realised that he could not instigate change from within the system and break the mould.

Apart from BPI, the other privately or mixed investment companies are MDM, which is owned by Morgan Guaranty, Deutsche Bank and J. Mello, a Portuguese private holding company; Euro-Financiera, a joint venture between the Banco de Fomento Nacional, the state development bank, and Banque Nationale de Paris; FINC, owned by Trafalgar House of Hong Kong, and two others.

Investment companies

WILLIAM CHISLETT

BPI and MDM, which made a net profit of Esc 26m last year, compared to Esc 12m in 1983, made their first private bond placements last year and they were quickly snapped up.

BPI placed an issue of Esc 1bn for the large textile concern Manual Goncalves, which was the first time that a private non-financial portuguese company had recourse to the domestic bond market. It also placed another issue of Esc 600m for the beer company, Unicer and the next issue, also *of Esc 600m, will be for* Hoechst's operation in Portugal.

MDM carried out an issue of Esc 600m for Inlan, the subsidiary of General Motors. The *Inlan issue enabled the com*pany, which is under capitalised like so many concerns in *Portugal, to overcome the tight* restraints imposed on the domestic borrowing of majority *owned foreign companies.*

They are limited to borrowing medium-term no more than *50 per cent of their capital* and reserves; a limit which is designed to force them to *borrow from external sources* and not be a drain on the domestic financial system.

Bond issues have to be authorised. The fact that Inlan's issue obtained approval, although strictly speaking it breached the borrowing limit, has been interpreted in some *quarters as a sign that* bonds could become a loophole out of this situation.

Despite a difficult economic environment, characterised by a drop in productive investment of around 20 per cent last year, BPI's loan portfolio rose Esc 2.2bn to Esc 5.7bn. This however is still tiny compared to the Portuguese state banks. *BPI's resources were a mere* Esc 13bn at the end of 1984, compared to over Esc 400bn for the *largest state commercial* bank.

BPI's equity *of* Esc 1.5bn (*Esc 400m* for investment companies) is split among 100 Portuguese shareholders with 72.5 per cent; the World Bank's International Financial Corporation has 7.5 per cent and *Deutsche Entwicklungsgesellschaft*, Credit Lyonnais, Union Bank of Switzerland and *Britain's Investors in Industry* 5 per cent stakes each.

Some of BPI's senior execu*tives have been lured away from* the state banking sector like Sr Francisco Veloso, who was chairman of *Banco Espirito* Santo and also sat on the auditing board of the Bank of *Portugal.* Higher salaries and the chance to be innovative are producing a mini brain-drain *from the state banks, many of* whose boards are depleted.

BPI has taken a 20 per cent *stake in Fichet*, the French concern which makes safes (a promising business in Portugal, where crime has been rising), a 10 per cent stake in Soja, a food processing company, and a 20 per cent share of the leasing company Slibail.

BPI has also submitted an application to set up an investment trust with the three largest Portuguese commercial banks and plans to take a 10 per cent stake in a new commercial bank whose other shareholders, including the sugar group Rar, and Sogrape the wine group, are also shareholders in BPI.

If permission is granted for both these institutions, BPI would cover the whole range of banking and would be a competitive force to jolt the state banks out of their complacency.

Banco Portugues de Investimento

	1982 (Esc)	1983 (Esc)	1984 (Esc)
Total assets	2.6bn	4.6bn	7.7bn
Loan portfolio	1.7bn	3.5bn	5.7bn
Net profit	27m	52m	83.5m

Source: BPI

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Shoes and textiles are among Portugal's most promising export sectors: above, sports shoe production at Bastilius, near Oporto.

More investors lured by low labour costs

Record year for foreign investment

WILLIAM CHISLETT

"A LITTLE Taiwan in Europe" is how one European accountant, based in Lisbon, summed up the advantages which Portugal offers to foreign investors.

Labour costs are the cheapest in Western Europe, the work force is considered highly productive under the right environment, there is good potential for growth in almost every sector of the economy, particularly agriculture and tourism, and the country is well placed as a springboard for exporting to the EEC.

Foreign investment is very low in Portugal; the country has suffered from its 1974 revolution which led to the withdrawal of some companies and a freeze on new investment. The revolution is now hardly remembered by those foreign companies who stayed in Portugal, some of whom lived through board room takeovers by workers. But the revolutionary image persists abroad to the chagrin of Sr José Viana Baptista, the head of the Foreign Investment Institute, who spends a lot of time travelling to dispel fears.

There are signs that Portugal is at last beginning to turn the corner. New direct foreign investment last year totalled $191m, compared to $146m in 1983, the highest ever yearly figure. The investment institute made its first tally of foreign capital last year and estimated total capital at Esc 38bn ($2bn) held by 1,400 companies.

This figure, however, does not give a true picture of the impact of foreign companies on the economy since many of the older foreign companies still operate on their original, often very small, capital and use higher reserves to cover their needs. More revealing is the institute's figure that the 10 main foreign companies were responsible for 12 per cent — or $540m — of total exports.

They are Renault, Texas Instruments, Grundig, MPI (part of Control Data of the U.S.), Celbi, the Swedish pulp concern, Isopor (a joint venture with Upjohn of the U.S.), Philips, Cablesa and Inlan, affiliates of General Motors, and Siemens.

Most of last year's new investment was in the tertiary sector. Foreign banks are taking advantage of a more liberal financial system.

The majority of foreign companies are involved in exporting, a lucrative business by all accounts, or are retooling to become exporters. The domestic market is small and depressed and Portugal's membership of the EEC, assuming it goes ahead, will bring greater export opportunities.

The shoe and textile sectors are two export areas of particular interest to foreign companies. The West German children's shoe manufacturer, Elefanten, recently established an operation solely for exporting. Some Spanish shoe makers are also beginning to make inquiries. Shoe leather is 25 per cent cheaper in Portugal than in Spain and labour costs are one third the Spanish level.

Electronics is another promising sector. Texas Instruments injected $43m of fixed capital into its plant near Oporto last year to double exports of integrated circuits. It brings in the components, puts them together and ships them out again. The company is working seven days a week, around the clock.

The productivity, cheapness and passive nature of the Portuguese work force are the main factors luring investment. Investors are surprised by the conditions which Portuguese workers are prepared to withstand. Apart from low wages (an average hourly rate of $1.69 in 1983, compared to $10.67 in West Germany), a sizeable number of workers in ailing companies have not been paid for several months.

Sr José Viana Baptista, head of the Foreign Investment Institute: seeking to dispel fears.

Foreign investment

Direct new foreign investment (rounded up to nearest million): 1980, $125m; 1981, $152m; 1982, $124m; 1983, $146m; 1984, $191m.

Main countries investing in Portugal: U.S., 35%; France, 12%; Switzerland, 11%; U.K., 10%; Holland, 4%; West Germany, 4%; Japan, 4%.

Source: Foreign Investment Institute

"In other countries, managers would get bullets in their knees, but here nothing seems to happen," says a European businessman.

The main complaints still centre on the slowness of the bureaucratic machinery in obtaining permits to carry out day-to-day business and the rigidity of the labour laws, which make it virtually impossible to sack people against their wishes and lay-offs can be quite expensive.

A degree of flexibility has been introduced into the employment situation by allowing companies to take on people for six months and to renew their contracts over a maximum of three years before taking them on permanently.

A group of 16 U.S. companies which visited Portugal last month was quick to stress that while they saw some opportunities and were pleased with the drift of policy they wanted much greater freedom to hire-and-fire.

Sr Viana Baptista has managed to speed up the process of granting permission to set up new ventures to 90 days. If, by that time, the institute has not communicated its decision, then the applicant can take this as tacit approval and go ahead. Sr Baptista would like to bring this period down to 60 days.

Two major investments are under review which if they met materialise will have a significant impact on the economy. One, for Wiggins Teape, the UK paper concern, is reportedly nearing completion, and another, concerning Rio Tinto Zinc Metals, is becoming a contentious issue.

Wiggins Teape has agreed to increase its payment for a 42.5 per cent stake in Soporcel, Portugal's largest single pulp mill, from Esc 7.5bn to Esc 8.5bn as it has accepted the Government's case that it should pay a premium. Discussions are now going on about whether Wiggins Teape will become involved in a paper project, which it was not initially interested in as there is European over capacity in paper.

A sensitivity analysis test is being carried out to determine the viability of the paper project. If it is positive and the Government carries out some infrastructure work, Wiggins Teape would be prepared to commit itself to a greater investment.

The Rio Tinto discussions appear to have entered a delicate phase. They highlight the differences within the government over fundamental economic issues. Put at its most simplest, the argument boils down to whether Portugal should export raw materials, in this case copper concentrates, from the rich Neves Corvo deposits (the Finance Ministry's position), or whether it should be more expansionist and put in a smelter to add value to the concentrates (the Industry Ministry's view) and run the risk of creating a white elephant.

Rio Tinto agreed in principle last year to buy the 49 per cent French stake in EDMA, the majority Portuguese - owned mining company. This decision was communicated to the Government which asked Rio Tinto to wait until the end of November to allow EDMA to decide whether to exercise its pre-emption option.

When nothing happened Rio Tinto felt free to deposit $87m in escrow in Paris for the French interests. As Rio Tinto tells the story, it then learned that the pre-emption period had been extended until March 15 and that EDMA has written to Anglo-American of South Africa, Union Miniere of Belgium, Exxon, Boliden of Sweden and Outo-kumpa of Finland offering the French share, which, it says, was not theirs to offer.

Shock

Rio Tinto itself was aghast to receive a letter which asked them to "make an offer to buy the shares which you have already contracted to buy from the French, in the event that we exercise our right to pre-emption." It would seem that the Government is trying to extract a premium for the French share.

Rio Tinto believes that with the present over-capacity in Europe and the low return on assets of smelters, it would not be to Portugal's advantage to have its own smelter. Rio Tinto, however, is prepared to consider the issue, although it believes it would make more sense for Portugal to take a stake in the smelter in Huelva (just over the border in Spain) in which Rio Tinto is involved.

By the time the March 15 deadline expired only one company had submitted a bid and it was lower than Rio Tinto's offer. After all the fuss it would appear that Rio Tinto will be alowed to link up with EDMA. All the Goverment got was egg on its face.

Companies proceed with caution

Prospects for leasing sector

WILLIAM CHISLETT

AFTER THREE years in the market, Portugal's seven leasing companies are going through a period of caution and are turning down most new business.

When the companies began in 1982 to offer a completely new instrument for Portugal they were keen to take on a lot of business and establish themselves. Enterprises, for their part, saw a cheaper and more flexible way to obtain industrial plant, construction equipment and computers. Doctors and dentists grabbed at a tax deductible chance to replace antiquated equipment.

Now, with the Portuguese economy in the trough of a recession, and with political uncertainties surrounding the 1986 elections, leasing companies believe it is prudent to curtail the growth of new business—which has become highly competitive.

Locapor, the largest leasing company, accepted two out of every three requests it received in 1982, its first year of operations. A year later it was turning down two in every three requests. In 1984, for every new contract it made, it rejected another offer.

Of the 2,000 contracts Locapor has made over the past three years, around 100 have had to be terminated, mainly because the customers fell behind in payments. Most of the problem clients turned out to be people who leased small construction equipment, after being sub-contracted to work on road building programmes in northern Portugal. When the Government cutback on public works projects, as part of its austerity measures, these people were left high and dry.

The declining fortunes of the construction industry can be seen in the structure of Locapor's — and most leasing companies' — business. From being construction orientated in 1982 (with 35 per cent of total contracts made out to construction concerns) Locapor is now predominantly supplying computers (60 per cent of contracts).

Sr Eduardo Guimaraes Marques, Locapor's marketing director, says adamantly that the problem clients have not caused much of a dent in a profitable business, but it did lead to Locapor employing a year ago a lawyer to chase clients behind with their payments and several debt collectors.

It is an expensive and time-consuming business pursuing these clients through the courts. Generally a leasing company prefers to try to repossess its equipment — sometimes in a pre-dawn raid on the venture concerned, if the equipment is not too heavy.

Sr Marques, echoing the views of other leasing companies, says that Locapor could take on "quite a lot more new business," as demand remains high. However, the decision has been taken to limit growth this year, and probably next, to no more than the 30 per cent rate of inflation. This would mean Locapor taking on new business worth about Esc 2.7bn this year, after Esc 2.1bn in 1984, Esc 1.8bn in 1983 and Esc 637m in 1982.

● PORTUGAL'S LEASING COMPANIES:
Capital Assets (Esc bn, end of 1984):

Locapor	4.5
Sofinloc	2.3
Euroleasing	2.3
Leasinvest	2.2
Slibail	1.5
Lusoleasing	1.3
Imoleasing	n. a.

Euroleasing has been even more cautious, with new business of Esc 1.1bn last year at the same level as in 1983.

"We are not very optimistic," says M Francois Leclerc, the Euroleasing director.

All the leasing companies are involved in equipment apart from Imoleasing which specialises in property leasing. Local financial institutions, including the main Portuguese state-run commercial banks, are involved in the leasing companies as well as some foreign banks including Barclays in Sofinloc and Credito Franco Portugais in Slibail, the main foreign bank operating in Portugal.

The cautious approach, which could amount to over-reaction, is bad news for those Portuguese companies struggling to develop new business and reduce their administrative costs. Leasing, as elsewhere, offers them tax and depreciation advantages; cash-flow relief and flexibility in switching to less obsolete technology.

Other sources of medium-term investment are hard to obtain and interest rates on loans from the Portuguese banks of 34 per cent are several points higher than those offered by the leasing companies.

Confidence is the key factor

Plan to boost capital markets

WILLIAM CHISLETT

ANY FOREIGN investor entering the vaulted marble hall of Lisbon's stock exchange could be forgiven for thinking that he had entered the wrong building and was in a chapel of rest.

The only outward sign that it is a stock exchange is a screen which shows the prices of a handful of shares and bonds.

About 25 people on a typical day—four traders, a trading floor clerk, brokers from the nationalised banks and a few members of the public—stand in a rather mournful way as if attending a funeral service, more out of duty than respect.

"It is rather sad," comments one broker with 15 years' experience of the exchange.

This sombre atmosphere was not always the case. In the two years before Portugal's 1974 revolution, the exchange was so full of people that they were crowded out into the street, where frantic trading of shares was carried out in vans loaded with share certificates. Shares were sold over the steering wheel for many times their nominal value.

At the height of this speculative madness, when companies refused to offer more share certificates, brokers offered clients slips of paper which read "worth 100 shares of company X." Investors would gather at a nearby cafeteria to strike up deals.

"It was like a lottery," recals the broker, who remembers how, in one day alone, he handled Esc 70m of shares—almost 1.5 times more than the total amount on the Lisbon stock exchange for 1984.

It is estimated that at its peak there were several hundred thousand investors, a staggering number in a population of 8m. Middle class investors took out loans to buy shares and enlisted gardeners, chauffeurs and maids to act as "fronts" to acquire more shares.

The coup on April 25 1974, brought this wild speculation to an abrupt halt and pushed investors into a state of shock, from which they have still not recovered.

Aftermath

The banks were nationalised and the companies they owned, which had been so exuberantly traded. The stock exchange was closed for three years. When it re-opened the number of listed companies had shrunk from almost 150 to 23 and the market was more regulated with a stipulation that prices could not fall or rise more than 10 per cent in one day to avoid speculation.

Compensation for nationalised stock took five years to come and then it was based on the tiny nominal values of the eve of the revolution. Some compensation bonds are paying 2.5 per cent interest over 28 years —with inflation running at around 30 per cent.

● SHARES and Bonds traded on the Lisbon and Oporto Stock exchanges:

	Shares	Bonds
1981	Es129.4m	Es792.6m
1982	Es64.9m	Es1.0bn
1983	Es135.1m	Es1.7bn
1984	Es481.1m	Es2.8bn

Source: Banco Totta & Acores

Today the stock market is almost exclusively the place to buy and sell treasury and corporate bonds which offer a higher yield than bank deposits. Interest is paid free of the 20 cent tax levied on the returns from deposits. Issues are becoming increasingly over subscribed, to the delight of the Finance Ministry. The recent issue of Esc 3bn for Petrogal, the state oil concern, was over-subscribed by some Esc 9bn.

The Portuguese prefer to buy and sell shares and bonds outside the stock exchanges in Lisbon and Oporto, which re-opened in 1981. Shares traded outside these two exchanges were ten times greater last year than those traded on the stock markets. In bonds, Esc 12.5bn were traded outside the markets, compared to Esc 2.8bn on them.

Private companies are also beginning to issue bonds. Last year two leasing companies, Locapor and Slibail, put a toe into this bond market. But there has only been one public share subscription for a private company since 1974, for Marconi, and it was not a great success.

The low number of dividends (only seven of the 23 listed companies issued dividends on 1984) and the generally low level of profitability has not encouraged new share issues.

Portugal's money market is even more discreet than the stock exchange. The Bank of Portugal chairs a meeting every day of the commercial and institutional banks where interbank borrowing is settled and it also sets the rates for foreign exchange.

The authorities have talked for at least three years about setting up a spot (and eventually a fully-fledged) foreign exchange market. Finally the Bank of Portugal, albeit still rather nervous about losing its tight control and speculation, is taking steps to establish an exchange market.

Incentives

The Government has also drawn up some tax incentives which it hopes will enlarge the capital markets and galvanise them into greater activity. But nobody believes that the measures will have any significant impact.

"Reducing the tax on dividends will not have much impact because so few companies can afford to pay them," says a senior Portuguese private banker. "You cannot legislate confidence."

Confidence is indeed the key factor. While the Government has won the respect of its international creditors for achieving a turnround in its external accounts, it has yet to win over its own investors.

EUROPEAN AGRICULTURE

Dairy machinery makers in the doldrums

By Andrew Gowers

AS THE dust settles on Europe's dairy industry following the chaos and confusion of last year, it is becoming clear that the real victims of milk quotas are not the farmers themselves, but the beleagured band of manufacturers and dealers who supply them with their equipment.

The restrictions on milk output introduced almost a year ago, although greeted with cries of outrage from farmers across the EEC, have taken a far greater toll on dairy machinery makers, especially in the UK.

While milk production fell by some 8 per cent in the UK last year, sales of capital goods to British dairy farmers dropped by 45 per cent, from around £22m to £12m—and there is no sign that they are about to recover. Similar patterns have been recorded, to a lesser degree, elsewhere in the Community.

Sales of tractors to dairy farmers have been hit, too—although the tractor industry has been shielded from the full effects of quotas by buoyant purchases by arable farmers after last year's record EEC grain harvest.

As for dairy equipment, it is hard to think of an industry which has had to cope with such a drastic fall-off in sales in such a short time.

"Our dairy equipment business just turned off like a tap," says Mr Harry Faulkner, managing director of Alfa-Laval, the Swedish engineering and agribusiness group which dominates the industry and depends on milk for up to 45 per cent of its sales.

"From the end of April, we had no inquiries for new installations of anything," agrees a leading equipment dealers' representative. "We were on the verge of absolute shutdown."

The effects of the change are reflected in Alfa-Laval's 1984 results, published in February. Pre-tax profits dropped by 50 per cent to SKr 403m, and the agricultural division reported a 21 per cent fall in sales.

Other companies in the industry, without such a strong capital base or wide diversity of customers, are even worse off. And there are doubts over the survival of a British company which is totally dependent on milking machinery sales.

This is a transformation for an industry which until quite recently prided itself on a cracking growth rate and healthy returns on operating capital.

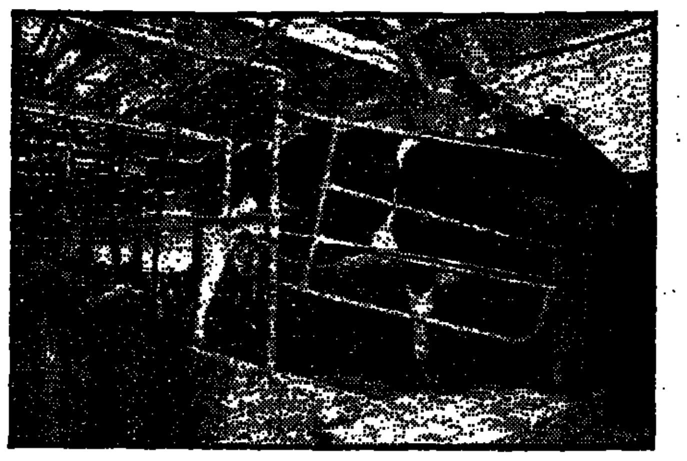
Several of the companies involved had seen the crunch coming for years, with the growth of surplus EEC dairy produce, but consistently good profits kept their preparations for the worst within bounds.

In a sense, the milking machinery manufacturers are the the victims of their own success. The rapid growth of their European sales in the 1970s was a symbol of the dairy industry's increasing efficiency—which, in turn, contributed to today's surplus problem.

The 1970s saw the demise of the traditional cowshed as farmers, spurred on by high EEC support prices for milk, went over to capital-intensive modern dairy parlours or to loose-housing systems for their animals. The Community, with about 29m of the world's 220m cows, became the world's major market for machinery.

With their new flexible systems, farmers found it easy to expand their herds. The squeeze on milk prices introduced by the EEC in the late 1970s in a bid to restrain the dairy surplus became the cue for just the opposite as farmers boosted output to maintain their incomes.

But with the growing strain on the EEC budget, the more far-sighted companies had already spotted trouble. In 1979, Alfa-Laval — whose sales had grown 12 per cent a year in real terms in the early 1970s—called in the Boston Consulting Group to conduct a thorough review of its strategy.



Milk quotas have hit sales of dairy equipment

Its findings were stark: the machinery market was all but saturated, and the company should take immediate steps to reduce costs and refocus its produce development—particularly on devices which would enable farmers to improve the efficiency of their operations, rather than expand their size.

Hundreds of miles away in Reading, England, Gascoyne Melotte—the subsidiary of what was then Thomas Tilling, fashioned out of the merger of a British and a Belgian company—reached roughly the same conclusions.

"We were operating in a shrinking market. Farmers were getting bigger, fewer and more specialised," says Mr Michael Widen, Gascoyne's marketing manager. As a result, the company has halved its international staff by chopping about 600 jobs over the last five years.

But few of the manufacturers were prepared for what happened last year. When EEC farm ministers reached their 11th-hour agreement to impose quotas on production, farmers in the UK panicked. Angry and confused, they stopped buying everything — including, for a time, animal feed.

"Even our engineers were sent away when they turned up to perform a routine service on equipment," said Mr John Stafford, director of Alfa-Laval's UK agricultural business.

Farmers in other countries reacted more sedately, but the trend was, and remains, the same.

A sizeable chunk of the market is gone for good, and the rest is destabilised by cut-price competition from "pirate" component sellers. Overnight, the industry has changed from being based on new capital investment and expansion to being based on replacement business.

European companies are carrying substantial excess manufacturing capacity — witness Alfa-Laval's cooling-tank factory at Nevers in France and Fullwood and Bland's plant at Ellesmere, Cheshire.

To make matters worse, they have now got down to a furious, if predictable, price war. "Anyone who wants to put in a new dairy parlour can virtually name his price," says one manager. "It's getting very vicious."

Nevertheless, some companies are beginning to venture cautious expressions of optimism.

"Those farmers who have come through the shock are now concluding that they can make money under quotas," says Mr Widen of Gascoyne. "So they will make investment decisions later this year. Eleven months ago, we'd forgotten all about 1985, but we can now look to the future."

The survivors undoubtedly also include Westfalia and Miele, the family-owned companies which dominate the German market, and, of course, Alfa-Laval. The market leader is now fully implementing its consultants' recommendations—shifting its focus from capital goods to components and farm supplies (the so-called "after-market"), and putting new emphasis on products aimed at improving farmers' efficiency. Mr Lennart Berglind, chairman of Alfa-Laval's agricultural division, also points out that the company is making strenuous efforts to reduce its dependence on the milk business.

Herr Wolfgang Habig, of Westfalia, says companies which depend entirely on the dairy industry are the most vulnerable. "We have a number of industries where we can match what we lose in dairy," he says. "There are plenty of possibilities to diversify in the food industry as a whole."

The most ominous question-mark hangs over the future of privately-owned Fullwood and Bland, the biggest milking parlour manufacturer in Britain, which is this year celebrating its 200th anniversary. Last year, the company shed 145 workers, and its marketing operation in France went into receivership.

But it is still believed to be carrying excess capacity, and it is currently seeking more support from its banks and its minority shareholder ICFC (part of the 3i group).

"We're totally dependent on the dairy sector. It was our strength in better times; it's now our weakness," says Mr Richard Lancaster, director of Fullwood. "And being entirely self-supporting, we had to take the brunt of recession without any Big Brother to help us."

Last year, the company was involved in discussions with five of its competitors—that is, virtually all the big names in the business—about a possible take-over.

So far at least, the result has been a stand-off. "We're not actively looking to pick up any of our competitors," said a manager of one large European company. "We'd prefer to see them die and pick up their market share."

Mr Lancaster stresses that Fullwood has come through the worst, and is now in better shape. But few believe that every company can remain in an industry which has suffered such a catastrophic drop in sales.

"Everybody has shrunk, but that's not enough," said one manager. "Somebody's got to go out. We haven't seen the end of it yet."

ANIMAL FEED INDUSTRY IS ALSO SUFFERING

THE OTHER great casualty of milk quotas — besides the equipment manufacturing sector — is Europe's large, and hitherto booming, animal feed industry.

Here, too, farmers' initial reaction to the EEC decision — especially in the UK — bordered on panic. To cut costs, British dairy farmers slashed their feed purchases by around 50 per cent, and put as many cows as they could out to grass.

Feed sales have since recovered to an extent. But quotas have taken a 20 per cent bite out of UK cattle feed sales for good, and shaved 10 per cent off demand for animal feed overall—a market worth around £1.5bn a year even at today's reduced volumes.

The pattern is similar elsewhere in the EEC. In West Germany, for example, quotas has already claimed their first major casualty with the collapse of Plange-Kraftfutter, one of the country's top three compounders with annual turnover of around DM 700m. Bremen-based Plange, owned by a grain trading and a milling company along with the Plange family, filed with the courts for protection from its creditors last month.

Nothing as drastic as that has yet happened in Britain. But for all the UK feed companies, from giants such as Unilever's BOCM-Silcock subsidiary and Dalgety to the large number of smaller regional computers, the drop in sales volume has potentially serious ramifications.

It hurts especially hard as cattle feed is traditionally the most profitable sector of the market, with margins far exceeding those in pig and poultry feed.

What is more, even before quotas came, the UK industry was estimated to be carrying excess capacity of around 10 per cent, or around 1m tonnes.

The disappearance of another 1m tonnes of demand in this high-volume, high-fixed cost, low-margin business—feed margins average between 3 and 5 per cent—can only increase the pressure for rationalisation. Stockbrokers Henderson Crosthwaite estimated last year that it could result in a £20m drop in the industry's total profits.

This represents a dramatic turnaround for a business whose earnings increased by leaps and bounds in the early 1980s. Agricultural division profits at the big four compounders — BOCM, Dalgety, Pauls and Bibby—rose by a quarter between 1980 and 1983 to just under £40m.

In fact, the industry has already undergone considerable rationalisation in recent years. BOCM undertook a major restructuring programme during the 1970s, transferring capacity from its older port mills to more convenient rural locations.

Dalgety closed a number of mills following its takeover of Spillers in 1980 and RHM agriculture in 1983, while Pauls and Bibby have both been gradually replacing inefficient capacity with new plants.

However, there is intense speculation over the future of some of BOCM's older mills, especially as the Unilever subsidiary appears to have been losing market share to smaller regional companies since last summer.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord. ...	142	—	6.6	4.4	7.9	9.4
151	135	Ass. Brit. Ind. CULS...	148	—	10.0	6.8	—	—
77	51	Airsprung Group	57	—	6.4	11.2	6.3	7.5
42	26	Armitage and Rhodes...	34	—	2.9	8.5	4.2	7.0
145	108	Bardon Hill	144	—	3.4	2.4	14.5	24.2
58	42	Bray Technologies	54	—	3.5	6.6	6.3	9.0
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref....	110	—	15.7	13.8	—	—
930	100	Carborundum Ord.......	930	+10	5.7	0.6	—	—
88	84	Carborundum 7.5pc Pf.	88	—	10.7	12.2	—	—
103	43	Cindico Group	435	—	—	—	—	—
73	51	Deborah Services	53	—	6.5	12.3	5.0	8.2
314	182	Frank Horsell	314	—	—	—	12.6	16.5
268	170	Frank Horsell Pr.Ord.87	268	—	9.6	3.6	10.8	14.1
32	25	Frederick Parker	27	—	—	—	—	—
58	33	George Blair	58	—	—	—	3.9	7.8
50	23	Ind. Precision Castings	23xd	—	2.7	11.7	6.3	6.8
218	186	Isis Group	189	—	15.0	7.9	7.5	13.6
124	101	Jackson Group	101	—	4.9	4.9	4.7	9.1
285	213	James Burrough	250	—	13.7	5.5	8.9	8.9
93	83	James Burrough 9pcPf.	85	—	12.9	15.2	—	—
87	71	John Howard and Co.	87	—	5.0	5.7	8.9	12.6
187	100	Linguaphone Ord.	187	+7	—	—	6.9	7.2
100	93	Linguaphone 10.5pc Pf.	97	+1	15.0	15.5	—	—
625	300	Minihouse Holding NV	625	+5	3.8	0.6	45.0	49.2
120	31	Robert Jenkins	45	—	5.0	11.1	—	—
60	28	Scruttons "A"	32	—	5.7	17.8	16.8	3.9
92	61	Torday and Carlisle ...	78	—	—	—	8.4	17.7
444	350	Trevian Holdings	350	—	4.3	1.2	19.9	19.6
27½	17	Unilock Holdings	27½	—	1.3	4.7	13.3	19.2
98	81	Walter Alexander	95	—	7.5	7.9	9.4	11.4
247	216	W. S. Yeates	216xd	—	17.4	8.0	6.1	10.6

S=Suspended.

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

High tech start-up

Phoenix: surviving a trauma

BY WILLIAM DAWKINS

SITTING among a heap of tangled wires and computer screens in his tiny office in Maidstone's Parkwood Industrial Estate, Ian Gooderson confesses that the past two years have been a "baptism of fire."

The 32-year-old design engineer had little idea of the scale of the difficulties he would encounter when he left a comfortable job at STC to form his own automatic test equipment producer, Phoenix Electronic Instruments. His move was motivated by his disillusionment with big company politics and the number of apparently useful research ideas which were left to moulder in the back of a filing cabinet.

Phoenix now appears to be turning the corner after raising — almost by accident — £30,000 through a private share subscription under the Business Expansion Scheme. But its birth could not have been more traumatic.

Gooderson made several of the classic mistakes experienced by many small high technology companies.

Phoenix suffered because it relied entirely on bank loans instead of equity finance when it had no cash flow to service interest payments. Gooderson made the error of devoting all his attention to developing the technical side of his product at the expense of marketing it — a fault committed by many entrepreneurs much more experienced than he.

"With hindsight, we should have spent our first six months trying to sell our product as well as finishing it," he reflects. Meanwhile, Gooderson — a skilled engineer but not a trained businessman — spread himself too thinly when he needed specialist financial and sales staff to free him to get on with the tasks to which he was best suited.

To be fair to Gooderson, his clearing bank seems to have been ill-equipped to handle a risky and erratic start-up with hardly any assets, even if Phoenix's debts were backed by the Loan Guarantee Scheme. The bank almost put Phoenix out of business when it threatened without warning to call in its £15,000 overdraft, only to be dissuaded at the last minute by a local management consultant.

The two venture capital companies he approached were little help. They offered larger sums than Gooderson felt able to handle in return for a 90 per cent share of Phoenix. "I did not want to become an employee again," he says.

Gooderson began planning his company two years before leaving STC, where he was a designer of test equipment for the Ministry of Defence. He felt there was a market for cheap microcircuit analysers which could be plugged into a personal computer at a cost of around £3,300 as against the £7,000 or £8,000 charged by the makers of more sophisticated equivalents like Hewlett Packard or Philips.

His bank manager agreed, but suggested that Gooderson should go on a London Enterprise Agency management course before presenting a business plan. An overdraft was duly arranged, and Gooderson was in business by early 1983, trading as Hawk Electronic Test Equipment (he changed the name recently because it clashed with that of another local company).

Gooderson soon found that "it takes longer than you think to get onto the electronics market because the distributors are not going to believe in you until you have been around for at least a year." Indeed, it was just over a year before the company made its first delivery, by which time it had made a £30,000 loss. "We were stuck," says Gooderson. "We could not afford to buy any more stock, and we could not afford to advertise. All our money was tied up in trying to contact people who could buy what we had already made."

After an understandably cool reception from his bank manager, Gooderson looked unsuccessfully for an acceptable source of equity. He had almost given up hope when a marketing company, which he had approached with an export proposal, asked him by chance if he needed equity finance. The marketing company, which wishes to be anonymous, offered to find £30,000 in exchange for 36 per cent of the company. It also put in a part-time finance director and a non-executive chairman, who joined Phoenix in January.

From that day on, Phoenix's fortunes changed for the better. Gooderson could afford to hire a sales manager, John Martin, former UK marketing director for Wavetek, a U.S. test equipment maker, and spend more time doing what he was trained to do: design new products.

Martin has pulled in £60,000 of orders in the eight weeks since his appointment, and Gooderson has already produced two new machines for enhancing the performance of oscilloscopes. The distributors have started to take Phoenix seriously, and Gooderson is thinking of adding to his three staff.

Even the bank believes Phoenix might now have a good future. Losses in the year to April look as if they will fall to £5,000 on sales of £60,000 and a respectable profit is projected for next year. What lessons has Gooderson drawn from his uncomfortable experiences? "I wouldn't start out on my own again," he says. "It was unrealistic to expect to own the whole company. And I would have set up a customer base, perhaps distributing other people's products, before I started. You need to have something that will bring in money from day one."

Roger Taylor

Ian Gooderson: "We should have spent our first six months selling the product as well as finishing it"

Survey puts a finger on the pitfalls

THE management problems experienced by a host of companies like Phoenix Electronic Instruments were thrown into sharp relief by last week's publication of a pilot study by London Business School's High Tech Management Unit.

The unit, founded last May under the sponsorship of chartered accountants and management consultants Coopers and Lybrand, has drawn some revealing conclusions from its study of 22 small high technology firms. It is a useful guide on how to avoid some of the most common pitfalls in setting up a small business, and highlights how often the second phase of growth can be just as tough as getting started in the first place.

The study examines the firm's reasons for success and failure, and is designed to pinpoint areas for further research into the management of small high technology companies. The results will be published by the end of this year. One secret of success for start-ups, it says, is to focus on a specialised segment of a large market at an early stage in that market's development. It does, however, warn that "focusing too early is risky because of the uncertainty surrounding the time . . . within which the new technology is accepted."

That proviso will not be lost, incidentally, on anybody who has witnessed the painful marketing delays experienced by young Unlisted Securities Market companies using new technologies like Immediate Business Systems, Cifer and Bio-Isolates.

Very few small firms which do manage to develop an innovative product are able to repeat their earlier success. "The typical small high tech firm has an exceedingly narrow skill base, which means that trying to develop new strategies is like going through a second start-up," says the survey.

That may also be partly due to the fact that start-up companies have to devote a disproportionate amount of effort to establishing credibility with customers, thus leaving little time to think ahead. Even well-managed businesses can take three years to overcome customers' anxiety about their viability. An early sale to a large group can help.

Many small firms, says the study, hit financial crises because they underestimate the extent of future marketing and development costs. "This to some extent indicates the lack of realistic planning and assessment of such moves," say the authors.

Companies frequently find themselves short of development finance because they start off by pricing their products too low. It is all too easy to set prices on a cost-plus basis (rather than setting a margin the market will stand) in the early stages, only to find that spare cash for development gets swallowed up as the company's cost base grows.

One way to soften the impact of heavy marketing costs is to establish a specialist image. This "assisted firms to pull customers towards them and build positive cash flows on sales before incurring additional marketing costs in pushing their products towards the customer," claims the report.

It pinpoints some of the considerable human problems involved in running a small high technology company. "The same staff have to design new products, improve existing ones and provide technical and after-sales support," it says. "Firms find themselves constantly juggling with priorities with the result that nothing gets done well"—a hazard with which Phoenix was familiar until it attracted the help of an outside investor.

Companies in that position find it especially hard to remain innovative during a time of rapid growth. This often entails changing the initial success formula, a process which makes entrepreneurs fearful of losing the close team which pioneered their growth, as they introduce new formal structures and a new layer of management.

"This leads to delay . . . confusion and overstretching of roles and underperformance," says the survey. It goes on: "Most firms mismanaged the transition."

Training staff and getting hold of new technical skills to cope with market changes are further key problems for growing high technology companies. Such firms lack the resources to train staff properly and find it hard to attract high quality technical personnel because they are unable to offer job security or certain promotion prospects. They have to compete for a limited supply of electronic engineers with larger and more secure counterparts.

Successful firms overcame the narrowness of their technical skills by combining external—often university-linked—sources of technology with their own internal skills. Others managed to persuade customers to finance new products.

In brief...

THE European Commission is backing an effort aimed at extending links between innovation centres and science parks in Western Europe.

The commission has contributed £250,000 to set up a secretariat in Brussels that will encourage a transfer of ideas between such ventures and help companies backed by innovation centres, for instance in collaborative marketing efforts.

The acting chairman of the group, called the European Business and Innovation Centre Network, is Christopher Norman-Butler, a director of Business in the Community, a UK umbrella group for big companies involved in job-creation activities, for example, by supporting enterprise agencies.

The Brussels secretariat is due to set up an electronic information network to keep individual business centres in touch. It will also help in the creation of new innovation centres and give advice on the training of entrepreneurs.

Innovation centres and science parks are generally backed either by local authorities, universities, large business organisations or a combination of all three. They can provide accommodation and management and technical expertise to fledgling enterprises, sometimes helping also with venture capital.

Founder members of the European network include Heriot-Watt University Research Park in Edinburgh; N.V. Rede, a local-authority-backed innovation centre in Eindhoven; Business in the Community; IRI, an Italian company for managing state-owned enterprises; and several private companies, including IBM, Control Data, Barclays Bank and National Westminster Bank.

The secretariat is at PO Box 25, B-1040 Brussels 26. Tel: 322.235.3420.

●

STIRLING UNIVERSITY will be starting its first Master of Science course in entrepreneurial studies in September.

It is designed to provide concentrated study at post-graduate level for people employed or seeking work in private and public sector agencies, or for those interested in starting their own businesses. The course is also suitable for non-UK students whose own governments are trying to encourage the growth of small firms.

Subjects to be covered include entrepreneurship in various countries, venture finance, marketing, starting a business, the small firm in the economy and small firm project work. Details from Mike Willis at the University of Stirling Business Studies Department. Telephone 0786 73171, ext. 2363.

●

THE Small Business Bureau, the Conservative Party lobby group, has launched an information service for entrepreneurs.

It consists of a series of news sheets which give practical non-political advice on matters like tax, PAYE, self-administered pension funds, choosing a computer and how to start a business. They cost £1 a set of 10, and further subjects will be added in due course. Stamped addressed envelopes should be sent to Christopher Kirkham-Sandy, SBB, 32 Smith Square, London, SW1P 3HH.

●

BUSINESS Expansion Scheme fund managers are rushing to complete their final investments before the conclusion of the tax year at the end of this week.

Hodgson Martin Ventures, Lazard Development Capital and Oakland Management Holdings have all launched second funds this year after their first vehicles were fully invested by January. They bring the total number of approved BES funds in the current tax year to 34, a significant rise on the 22 funds launched in the previous 12 months, according to the latest issue of UK Venture Capital Journal.

The amount of money they have raised shows a less impressive increase, up from £40.9m in 1983-84 to £42.7m in the current year. That implies that the average size of approved BES funds has shrunk over that period from £1.86m to £1.29m.

The largest fund of the current year comes from Charterhouse Development, with £5.6m, which compares with the £10m raised by Electra Risk Capital II, the biggest in 1983-84. In addition to this year's 34 approved funds, there are eight BES schemes which raise capital on an open-ended basis.

●

THE British Venture Capital Association will today announce the publication of a formal code of conduct for its members.

The code covers matters like professional ethics, disclosure of sources of funds and other information, confidentiality and accountability to investors.

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(Ministry for Hydraulics, Environment and Forestry)

DIRECTION GENERALE DES INFRASTRUCTURES HYDRAULIQUES

(General Administration for Hydraulic Infrastructures)

NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS

CONSTRUCTION OF THE CHEURFAS II DAM ON THE OUED MEBTOUH WILAYA DE MASCARA

The General Administration for Hydraulic Infrastructures, Ministry for Hydraulics, Environment and Forestry, is launching a National and International Open Call for Tenders for the construction of the Cheurfas II dam on the Oued Mebtouh Wilaya de MASCARA.

This Call for Tenders concerns the following operations: hte construction of a concrete gravity dam.

The scale of the operations to be carried out are as follows:

1—Demolition o fthe existing dam: 36,000m³
2—Excavation of the site: 350,000m³
3—Excavations: 160,000m³
4—Concrete: 270,000³
5—Drainage and grout curtain = 32,000m²

Tenderers interested (in this call for tender) may obtain the specifications from the following address: Ministère de l'Hydraulique de l'Environnement et des Fôrets Direction Générale des Infrastructures Hydraulique—D.I.M.T.—KOUBA ALGIERS, for the sum of 3,000 DA from 15 March 1985.

Offers should be prepared in accordance with the calses of the specifications and the current regulations and must be sent i na double-sealed envelope to the following address: Ministère de l'Hydraulique de l'Environnement et des Fôrets Direction Générale de l'Administration Bureau des Marchés—Kouba—Algiers. The outer envelope should not bear any mark that might identify the tenderer.

Offers should be submitted by 12 noon on 30 June 1985.

Tenderers shall be bound by their offer for 120 days from the colsing date for submission of the tenders.

INVITATION TO FINANCE

NPC SUEZ REFINERY PROJECT

A 125000 BSD topping refinery project in the engineering stage, ENPP on behalf of Nasr Petroleum Company, is inviting banks and financial institutions interested in financing the project to address their inquiries to Farid Abo El-Dahab, Enppi, Tlx No. 93258 Enppi UN. Mail address is P.O. Box 2521, El-Horrya, Heliopolis, Cairo, Egypt.

Project-Line credit financing is desired for the project to permit the procurement of engineered equipment and bulk materials from Japan and European countries prepared to finance the project. Engineering, procurement, construction, and project management are performed by a consortium of Enppi and Petrojet, both are EGPC companies.

Company Notices

PARINTER BOND FUND S.A.
10a Boulevard Royal, Luxembourg

NOTICE TO SHAREHOLDERS
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Parinter Bond Fund S.A. will be held at the Registered Office in Luxembourg, 10a Boulevard Royal, on Tuesday 16th April, 1985 at 12.00 hours for the purpose of considering the following agenda:

(1) To receive and adopt the Directors' report and the report of the Statutory Auditor for the year to 31st December 1984.
(2) To receive and adopt the Balance Sheet and the Statement of Operations as at 31st December 1984.
(3) To approve payment of Directors' fees.
(4) To grant discharge to the Directors and the Statutory Auditor in respect of the execution of their mandates to 31st December 1984.
(5) To receive and act on the statutory nomination for election of Directors and the Statutory Auditor for a new term of one year.
(6) To attribute new shares. The Board of Directors of Parinter Bond Fund S.A. held on the 16 January 1985 has decided, subject to the approval of the General Meeting, to proceed to the attribution of new shares in the proportion of one new share for every 15 shares held.
(7) To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the Company not later than twenty-four hours before the meeting.

By Order of the Board of Directors
J. PIERSON
Secretary

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NOTICE IS HEREBY GIVEN that the rate of interest for the period from 29th March, 1985 to 30th September, 1985 has been fixed at 10.125 per cent per annum.

On the 30th September, 1985 interest of US$52.31 per US$1,000 nominal amount of the Notes and US$523.13 per US$10,000 nominal amount of the Notes will be due against interest coupon No. 9.

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("Clydesdale")

(Both Companies are incorporated in the Republic of South Africa)

PROPOSED MERGER OF THE OPERATIONS OF APEX AND CLYDESDALE

The application to the Supreme Court for confirmation of the Scheme of Arrangement providing for the merger of the operations of Apex and Clydesdale was opposed. As a result an Order was handed down on 8 March 1985 granting Apex leave to apply for permission to have any relevant factual issues referred to evidence. Pursuant to the above Order Apex has applied for permission to hear oral evidence. The relevant hearing is not expected to take place for some weeks.

Certificates for shares in Apex and Clydesdale will continue to be good delivery on The Johannesburg Stock Exchange and Clydesdale's share certificates will continue to be good delivery on The Stock Exchange, London, until further notice.

Members will be advised of the outcome of the matter when finality is reached.

28 March 1985. *Members of the Gold Fields Group*

TECHNOLOGY

EDITED BY ALAN CANE

A NEW COMPANY CAN SIMULATE DEEP SEA CONDITIONS

Model ocean for testing marine structures on shore

BY DAVID FISHLOCK, SCIENCE EDITOR

Roger Taylor

Preparing a model ship to face the full fury of a Force Nine gale in miniature

A TANK which can roll waves from different directions simultaneously at a large-scale model of, say, an offshore oil platform was inaugurated in West London yesterday. At the same time such a model—costing as much as £200,000 to make—can be exposed to the forces of winds and currents, to simulate the full fury of a *Force Nine gale* at sea.

A new British company specialising in the behaviour *of engineering structures* exposed to the ferocity of the ocean was born yesterday. British Marine Technology (BMT) is a merger of the British Ship Research Association of Wallsend, an independent research association servicing the shipbuilding industry, and the National Maritime Institute, formerly the ship division of the Government's National Physical Laboratory.

The *new company*, with around 500 staff and a turnover exceeding £12m a year, is equipped with one of the world's most powerful tools for modelling ocean wave and wind conditions. Its model ocean facility at Feltham is expected to test scale models of the next generation of offshore structures—the so-called "compliant" structures which will ride with the waves.

The marriage between these two bodies was made in the councils of the Department of Industry's maritime technology committee, part of its Mechanical and Electrical Engineering Requirements Board, in its efforts to strengthen the offshore industry's research capability. The aim is a company capable of competing in world markets, not only for ship design and manufacturing technology, but for the kind of design analysis which might make all the difference between exploiting and abandoning a marginal offshore oil find.

Dr Jack Birks, former technical director of British Petroleum, now chairman of Charterhouse Petroleum, is also chairman of BT. Its deputy *chairman* and chief executive is Mr Marshall Meek, the naval architect. BMT with headquarters at Feltham, will operate from four sites: Wallsend; Feltham, with its new ocean model facility and its 400-metre *towing tank*; *Teddington*, with ten wind tunnels; and Hythe a full-scale trials base *on the Solent*.

The facilities of the two research bodies tend to complement each other and they have cooperated amicably for many years. "BSRA brings a very firm position in the industry" acknowledges Dr Melvyn Davies, one of two technical directors of BMT. But the showpiece of the assembled facilities is the new model ocean basin, built at a cost of £1.75m.

The basin is a big tank of clear *water 46m long and 30m* wide. In its floor is a pit large enough to take a house; big enough in fact, to model offshore structures intended for ocean depths as great as 600m, the depths envisaged for the next generation of North Sea structures, for instance.

The placid green pool can be whipped to fury by 90 electro-hydraulic paddles across one side. These paddles perform to a mini-computer program to generate a remarkable variety of waves. For example, they can be long-crested regular waves up to 0.8m long, long-crested irregular waves up to 0.4m high, or short-crested irregular waves up to 0.4m high. And there can be almost any conceivable permutation of these waves.

The hydrodynamicists say that their "pseudo-random noise" method of generating short-crested irregular waves probably offers the best simulation of ocean wave conditions that anyone has. The wavemaker cost about £1m, designed for the purpose by the British Hovercraft Corporation.

At the far end of the basin from the wavemaker is a "beach," adjustable in slope and depth, to absorb the waves.

Wind forces are simulated both by fans that blow across the basin, and by small computer-controlled fans mounted on the model itself, to simulate the force and direction of stresses. Currents are introduced by water jets.

Dr Davies puts the cost of using the ocean model facility *as part of a research contract* at about £2,000 a day. He believes it gives the new company a *facility competitive with* those in Norway and Denmark, which currently attract much civil research in ocean engineering.

Mr Stephen Rowe, BMT's head of ocean engineering, expects the facility to attract two kinds of contract. One will be verification of established engineering and operating procedures under a more realistic simulation of ocean conditions, such as the diversity of size, shape and direction of waves. Nowadays operators tend to want this done even when they are repeating a well-tried procedure, so high is the price of getting it wrong.

But the *primary purpose* is the study of novel offshore engineering concepts such as the "floating" *structures which* try to ride with the waves and the wind. "They are inherently more complicated for the engineer to understand," Rowe says. In the long run, however, they will offer more economical solutions to retrieving offshore resources.

It turns out that when multi-directional waves hammer a rigid, conventional structure, the stresses are more evenly spread, and the fatigue life is better than designers have tended to assume. But this is not so for the "compliant" structures such as tension leg platforms or articulating tower designs, where multi-directional waves will enhance the stresses.

Scientific study of "wave climate" over the *last decade* has corrected many misapprehensions about the ocean. One reason why enthusiasm for wavepower died was that early measurements of energy in British waves proved too optimistic by a factor of about two. Historically, most wave observation date was gathered on the bridges of ships — whose masters were expert in avoiding the worst conditions.

Reduction of nitrates in drinking water

WATER POLLUTION researchers at the Agricultural University of Wageningen in the Netherlands have developed a new nitrate extraction technique which makes the production of drinkable groundwater cheaper and more efficient.

Dutch norms for the acceptable content of nitrate in drinking water were tightened last year from 100 to 50 milligrams per litre to conform with stringent EEC regulations. The Association of Dutch Water Production Companies estimate that maximum tolerance levels of nitrate will soon be reached in roughly a quarter of Holland's supplies. This means that around 100m cubic metres of groundwater a year must be treated in Holland. These concentrations of nitrate result from the over-use of fertilisers and top-dressing. The problem is also causing concern in Belgium, West Germany, Britain and the U.S.

In Britain, where just under 1bn cubic metres would need treatment, the East Anglian water authorities have a denitrification plant. But according to Dr Abraham Klapwijk, leader of the Wageningen research team, it is expensive and has problems. The water runs the risk of being contaminated by bacteria, which form part of the biological denitrification process, as well as by nitrate—through the incomplete transformation of nitrate into nitrogen gas, he said. And as the process directly adds methanol to the water, precautions must also be taken to ensure that it does not remain in the drinking water.

In the United States, meanwhile, an even more costly method employs an ion exchanger which results in the production of slightly salty drinking water with a high chloride concentration.

Dutch scientists combined these two existing processes of ion exchange and biological denitrifications in their new method. As the groundwater flows through the ion exchanger—a column of resinous material—nitrate is extracted and replaced by an equal number of bicarbonate ions.

When the column is fully loaded with nitrate it is "consumed" by bacteria feeding on methanol. These bacteria metabolise the nitrate, transforming it into nitrogen gas. Neither the bacteria nor the methanol comes into contact with the water.

The result is waste-free water but with a bicarbonate concentration of around 100mg per litre for every 50g of nitrate removed. "It ends up rather like spa-water," says Dr Klapwijk. "Bicarbonate concentrations of that order are completely safe and even tasty."

The coming video revolution

Video & Film

BY JOHN CHITTOCK

WHEN THIS column was predicting in the mid 1970s that the videocassette recorder (VCR) would start a consumer revolution, many media people found it difficult to believe. The VCR cost then nearly £500 and seemed more like an expensive toy. Now that the camera cassette recorder (CCR) is with us *11 years later at about £1,100*, it would be easy again to regard this as a product of minority appeal.

As with the VCR then, the *general public are not yet aware* of the benefits that the CCR will bring, combining camera and recorder in a *single compact* unit. The similarities to the early history of the VCR are remarkable: doubts about consumer acceptability, the high price, and above all the confusion of formats.

The three contestants then, *leading different armies of supporters*, were Philips, JVC and Sony. After developing three *generations of its own VCR*, Philips have abandoned that battle and joined the VHS camp *of JVC—and Sony, with its Beta* consumer format, is no longer a credible contestant.

The new CCR battle centres on just two formats (although Sony would have us believe that there is a third). One format is VHS-compatible, pioneered by JVC but also taken up by a growing number of other companies—very recently Hitachi and Elmo, plus Pansonic, Mitsubishi, NEC, Olympus, Nikon and in the West, Ferguson, Philips and ITT. Depending on the manufacturer, this is available in either of two versions—one accepts a standard VHS cassette and thus can handle recording lengths up to three or four *hours; the other takes a much* smaller VHS-C cassette, cigarette packet size, limited to 30 minutes *recording*, but *still* replayable through a standard VHS videocassette machine by use of a cassette adaptor.

The other CCR system—in competition with VHS—is the so-called 8mm format, already available in the U.S. under Kodak's label and in Japan with Sony's own version. Eight millimetre also has behind it a large number of other manufacturers at various stages of commitment or *uncertainty*.

Sony plan to launch their 8mm CCR in Britain next month, confusing even further the future of the third possible contender, Sony's own Beta Movie—which uses Beta format cassettes replayable in standard Beta VCRs.

Since Beta no longer seems viable, the issue thus revolves *itself into a fairly straight contest* between VHS and the entirely new format of 8mm. At *the heart of this contest* are on the one hand real or imagined consumer benefits, and on the other a maze of marketing tactics.

The benefits claimed for 8mm are small size and weight, and extended recording time. The cassettes are indeed extraordinarily small and light—similar to compact audio cassettes. They offer recording times of up to 90 minutes per cassette—or double that in a lower quality, half speed mode; but CCRs using standard VHS cassettes have three or more hours capacity.

The claim that the equipment itself is smaller and lighter than VHS is erroneous; the Kodak 8mm CCR is in fact slightly larger and heavier than either version of the VHS (viz, 30m VHS-C or standard VHS), and Sony's 8mm system is about comparable to the smaller VHS-C. In practice any of these choices means a unit a little larger than a conventional *8m film camera and weighing* somewhere between 2.00 and 2.50 kilos.

Such small differences are of no real consequence. Only the much *smaller* cassettes make 8mm significantly different. There is, however, a trade off to achieve this advantage—in picture and (arguably) sound quality. Although the picture quality with 8mm is remarkable, VHS employs a "writing" speed (tape-to-head speed) that is 50 per cent faster—which in practice means that any technical tricks that 8mm employs to compensate for quality losses are almost always available for VHS to use to keep in the lead. The slower writing speed of 8mm also means that it will be stretched to the limit to achieve the wider bandwidth needed for European PAL compared to Japanese or American NTSC.

So it really boils down to that one advantage—the small size *of the 8mm cassette*. Undoubtedly this will have a fascination for consumers, but *it does seem a very marginal* benefit; the difference between a pocket diary and a packet *of king size cigarettes*.

The shrewder observers of this battle know very well that the real point about 8mm video is that it provides a straw for some manufacturers to clutch at. Sony and Kodak in particular are endangered in the burgeoning consumer video market—Sony because of the runaway success of VHS, Kodak because it has no consumer video products with which to stake a claim.

Philips—stuck with its V2000 format—was in a similar position, and significantly had announced plans to also launch into 8mm video; now, however, swallowed the bitter pill and adopted VHS and 8mm seems forgotten. But for Sony and Kodak, it would be rather convenient if the public had a flirtation with 8mm — which can be provided (at extra cost) with a tuner unit to convert it into a VCR.

The notion of a new VCR standard, albeit "camera led," might give Sony a second *chance to dominate this market*; and Kodak even a first chance. But in the absence of really overwhelming technical and consumer benefits with 8mm, such marketing strategies look at best a gamble and at worst desperate. They also ignore the probability that most potential camera purchasers are likely to be VCR owners already—of whom over 70 per cent are committed to VHS.

A new problem for 8 mm came last week when Kodak revealed that its planned European launch of 8mm video (once scheduled for autumn 1984) has been postponed to 1986 "at the earliest." This, they say, is due to economic conditions in Europe and exchange rates. Yet the biggest problem facing JVC and Ferguson in Britain is angry dealers, who cannot get enough CCRs in the VHS format to satisfy demand.

The Kodak decision could leave Sony isolated with 8mm in Europe, the world's biggest video market. If it does, it paradoxically puts them into the position that finally defeated Philips with its V2000 system—virtually alone, pushing a new format against an established one, and in brave defiance of negative views expressed by most of the industry. Who would have ever believed, two years ago, that Sony would change places with Philips in such a way?

Display

Colour graphics generator

THE TREND is to computer graphics in colour for many applications in business and industry but many potential users are put off by the high cost of high definition colour graphics terminals—anything from £2,000 upwards.

Data Applications of Cirencester, which makes industrial microcomputer systems called Ibis, has developed a low cost (£850) colour graphics generator for simple applications which will accept high level commands from almost any microcomputer and display the results as colour graphics on industry standard colour monitors.

The generator can be supplied as either an OEM card assembly, a desk top unit or a rack mounted version.

Designated the CGG-1, the generator can be equipped with serial interfaces, RS422 or RS232 or an 8-bit parallel interface.

The CGG-1 is based on a Z80A microprocessor together with a 64,000 byte video memory. Each picture element can be displayed in any one of 16 colours, chosen from a palette of 256.

According to David Dann, managing director of Data Applications, the CGG-1 provides both systems builder and end user with a low cost, intelligent sub system incorporating the latest in large scale integration circuit technology. More on 0285 2215.

THE ARTS

Copperhead/Bush

Martin Hoyle

John Bowe, left, Georgina Hale and Michael Byrne in Copperheads

On Grand National night, I made the acquaintance of a gift horse that the Bush Theatre might have orthodontically scrutinised more carefully before accepting. After a spirited start at a frisky gothic canter, it settles down to a jog through cosy nefariousness (shades of *Arsenic and Old Lace* and *You Can't Take it With You*) before ambling home, riderless, having fallen at the fence of melodrama.

Erik Brogger, author of *The Paranormal Review*, successfully staged here in 1979, wrote the play especially for the Bush (it has already received university productions in America). A graceful gesture towards this go-ahead house, with its brilliantly keen eye for new writing talent, ends in uncertain maundering through different moods and styles.

The town of Fertile, Pennsylvania, is a disaster area. For 19 years, an underground fire has raged in the mines. Coachloads arrive, gape at the smoking pits and depart, leaving the listless inhabitants to the hot pebbles that never cool, the rising level of carbon monoxide, and the knowledge that the fire will come to the surface one day.

To the run-down Grasslands Hotel comes a young ex-convict who sets up his forgery business with a mad pastor and his foul-mouthed ventriloquist's dummy (the humour here recalls a similar duo in TV's *Soap*), an alcoholic private eye and Georgina Hale.

Miss Hale brings her characteristic tottering dottiness to a part too old for her: the mother of a young woman presumed murdered years before by an unknown maniac who also has threatened to kill the mother. The casual mention of a fresh murder in Act two introduces a half-hearted whodunnit element simply, I suspect, to get the characters out of the baroque cul-de-sac in which the wayward plot has landed them.

The trickery, revelation and retribution of the abrupt ending has an almost perfunctory ring, as if grafted on from a different play. Simon Stokes, who directs on Dermot Hayes's set — the coal dust crunches beneath our feet as we enter the auditorium —combining porch and pulpit, ought to do something about Michael Byrne's American accent, which is so unconvincing that one wonders, as he resorts to wheedling blackmail through the medium of his dummy, if there is some symbolism in his stubbornly English tones. Adrian Dunbar as the convict, as dedicated to counterfeiting as Michelangelo was to painting ceilings, even makes a sort of sense of a character that never coalesces. A good night for the bookies.

Songs of the Claypeople/ICA Theatre

Michael Coveney

"The last time I saw another was on the day of fish" is the first spoken line in this peculiar ICA show from Impact Theatre. By that time, we have heard a child's recorded voice recalling the sound of man and woman in several places in this, the world of broken structures. Noise of industrial labour is submerged by Andrew Poppy's music, a tremendous gathering mélange of piano, then brass and synthesizer, finally electric guitar, in great slabs of impersonal, repetitive, throbbing sound.

In a prison-like hotel, a man and a woman in opposite cubicles, each lit with the cunning sensitivity of a Dutch interior, remove and replace their clothes more times than would you or I in a year. They are solitary, guilty warders of a friendless institution, and the intrusion of a second woman throws the switch on a scenario of fixed gesture, solo melancholy frantic déshabillement. The songs of the claypeople, remembered by the child and symbolised in a centre stage floor of burnt orange earth, are lost, fleetingly renascent in a grey metropolis of granite rooms.

Heather Ackroyd in Songs of the Claypeople

A first glimpse of Pete Brook's company is intriguing, but the definition to the work, obviously heavily influenced by such European stylists of the balletic time-suspending surreal as Pina Bausch and Jan Fabre, is hazy and physically unconvincing. The repertoire of repeated gestures—a tentative kiss, a look round by the donor, a dive by the recipient for the left breast, a reproachful response and a return to hand-chewing hesitancy—is not chilling or final; not, most crucially, part of a cumulative process of theatrical statement.

That sort of excitement is provided by Andrew Poppy's music, which really did strike me as being of exceptional merit. The images of repression and sexual shame are obvious and corny, to say the least. The man has a doll in his room, the girl discovers blood on her night-dress and takes a shower.

The performers are Heather Ackroyd, Richard Hawley and Niki Johnson. They convince me I should see Impact again; but it is characteristic of this show's derivative, not quite *finished*, quality that they took a half-hearted call in semi-darkness. A gulf remains between performers and audience that is never allowed by the most talented communicators in this dangerous mine-field of performance art.

London Galleries/William Packer

Patrons who buy in bulk

Open studios are commonplace, open competitions proliferate, and certainly there are more galleries now than ever there were before, for all the mysteries and uncertainties of their operation and the rigours of nearly 20 years of recession. But, goodness knows, new galleries always are welcome.

Charles and Doris Saatchi, if nothing else, are famous collectors—indeed, the most enthusiastic, compulsive and, by now, powerful collectors of modern art in this and perhaps any other country; and with nothing to answer to but their own interest and judgment, they have built up since 1970 an international collection that is quite astonishing in its critical scope and sheer magnitude. Quite how copious it is has for long been unclear, but artists soon came to know that the Saatchi seal of approval was of no little value in their particular careers (to say nothing of the money that came with it), and no major exhibition of The Art of Our Time could help but draw upon its huge reserves.

The news, therefore, that a critical catalogue of the Saatchi Collection, "The Art of Our Time," was in preparation, and a gallery being set up to celebrate the works themselves and show them properly to the public, excited a natural interest. All is now revealed, the first volumes of the catalogue published (lavishly illustrated with a full colour plate to almost every work), the gallery open each Friday and Saturday between 12 noon and 6 pm, or otherwise by appointment (98a Boundary Road, NW8; 01-624 8299). And if still one cannot face it all without at least some reservation or misgiving, one must admit, nevertheless, to a continuing astonishment; and an admiration, moreover, that largely confounds prejudice.

Indeed, the astonishment — and, to some extent, the admiration — are creatures of those very misgivings; for what the Saatchis have done, it seems from the start, and which may supply an all-too-understandable explanation of their artists' support for their activity, is to identify what they see as the current blue-chip reputations, extending back just a little into the recent past, and to buy them up (as it were) not so much selectively as wholesale.

Here there is nothing of the domestic scale, and little to suggest a deeply personal taste or involvement. What comes over, rather, is the sense of an ambition of a kind appropriate to a national institution of the first rank, to acquire the definitive holding in the work of any given artist. There have been many collectors before who have cultivated a particular artist, even two or three, and so come to possess collections of major critical importance; but this is no case of any mere handful but of dozens: patronage on a scale that can have had no equal since the times of the Medici princes and the Renaissance popes.

By this uninhibited approach the Saatchis have acquired very many fine things, and some undoubted masterpieces. But the catch-all principle, if it works one way, will also work the other; and it remains to be seen quite how many things that are less than good carry the Saatchi imprimatur. Certain of the artists have been tested now over two or three decades, both critically and in the market, and their reputations have indeed held good. One might not wish to buy their works personally, even if one could, for personal pleasure, but it's possible to see why someone else might. But with so much that has emerged since the late 1970s, we can only be less than sure.

Though publication of the catalogues marches rather in advance, the gallery is to show only a few artists at a time, with only three or four exhibitions a year. And with this inaugural show, the gallery itself is the principal exhibit; an old paint warehouse converted into a suite of beautifully effective spaces, all of them ample, one vast. It is very well done, and with these first few artists all so well established —Twombly, Judd, Marden, Warhol and Serra—there is little yet to prove.

Most of the work dates from the Sixties, though the enormous Judd construction is of 1981; and throughout it is admirably set out, as though to point each room's special virtues: a high ceiling here to cope with Warhol's huge Chairman Mao, a long fetch there for Marden's minimal triptych, a corner for Serra, and of course that vast space for Judd. Go and see it.

It would be a sad thing should one extraordinary private initiative be allowed to overshadow another; one that, though not perhaps so extreme, is in its own way quite remarkable. The City of London has a good number of artists tucked away in its old warehouses and factories but has never been long on galleries devoted to the best of contemporary art, and it would take a brave man to try his hard. Anthony Reynolds, once with the Arts Council, has been dealing privately without a gallery for nearly three years, and has enjoyed considerable critical success for the *Collazione Inglese*, a selection of work by his artists, that he has taken to Venice for the last two Biennales.

His nerve seems to have held, and last week he opened his own gallery at 37 Cowper Street, EC2, which is barely 50 yards from Old Street Station. He has converted the basement of yet another redundant factory into what must be one of the largest and most handsome private gallery spaces in London. It is as close as any in feeling to the extensive loft spaces of downtown New York, and is able to take the largest work.

The first show (until April 28, Tuesday to Sunday) is given to Ian Breakwell who was, as it happens, the second artist I ever reviewed for this page, some 11 years ago, and who has lately been reaching an even wider audience by his visual diary on Channel 4. Two or three years ago he was for a while an artist-in-residence at Cambridge, and this new work has been developed from the large drawings he made then, working for the first time on a large scale within the orthodoxies of painting and abandoning the sequential imagery of his earlier preoccupations.

The image is the human face, male and female, full frontal and more than filling the canvas. The sense always is of a looking-out, peering round a curtain or through the mesh of lace, the looker concealed yet curious and always a most positive, ambiguous presence, providing a quality of mystery and tension to which the deceptively impassive handling and the suppressed and buried texts that inform the canvasses, give further emphasis. It is an impressive show.

Huguenot exhibition at the Museum of London

An exhibition to coincide with the tercentenary of the Revocation of the Edict of Nantes, which deprived the Huguenots of freedom to worship in France and led to some 40,000 fleeing to Britain, is being mounted at the Museum of London from May 15 to October 31.

It will be in four main sections; their background in France; Huguenot institutions in England; the contribution they made to the arts, sciences crafts, literature, banking and the army; and a 19th century section which will include Millais' painting, *The Huguenot*.

New guest conductor for BBC Welsh SO

Mariss Yansons has been appointed chief guest conductor of the BBC Welsh Symphony Orchestra. He joins Erich Bergel (principal) and Owain Arwel Hughes (associate conductor).

Mr Yansons graduated from the Leningrad Conservatoire and won first prize at the 1971 International Von Karajan Competition. Today he is permanent conductor of the Leningrad Philharmonic Orchestra, and principal conductor of the Oslo Philharmonic.

New opera for Glyndebourne

Glyndebourne has commissioned an opera from the English composer Nigel Osborne and plans to present the first performance on the autumn tour of 1986, with further performances during the 1988 festival.

The new work will be based on a short, early novel by Boris Pasternak, *The Last Summer*. The poet Craig Raine will write the libretto.

Alastair Muir

Felicity Kendal in Tom Stoppard's play Jumpers, which opened last night at the Aldwych Theatre, London

Peter Serkin/Elizabeth Hall

David Murray

Beethoven's last three piano sonatas do add up to a recital, but one wishes they didn't quite so often: for 10 or 12 years this programme has been in vogue among pianists of the most various ages and attainments. (It is musically unimpeachable, short, and technically not too demanding). It takes an artist like Peter Serkin to bring it up fresh again—not just reverently re-told but lived through from moment to moment. He did that on Sunday, with acute sympathy and a kind of tremulous intensity.

The A-flat Sonata, op 110, was memorably beautiful, and the sonatas that flank it were very good. The E major, op 109, had its idiosyncrasies, or rather Serkin's. He likes to deliver the opening Vivace in a soft, melodious mutter, with some diminution of its energy, and to make the Prestissimo a series of wilfully uneven blurts. (I thought that might have been explained by the sticking piano-key that got hasty professional attention between this sonata and the next, but no — his BBC performance of op 109, rebroadcast later that evening, had the same rumpled character.) The great Andante variations were, by contrast, translucent, unfolded with lively delicacy and serene inevitability.

The variation-sequence of op 111, the C minor Sonata, was almost on that level, and its celestial running triplets sounded timelessly innocent. Serkin's reading didn't, however, measure the full scale of that sonata, which was a little betrayed by a too-gracious Introduction — despite his admirably tough Allegro — and a want of long-range focus as the climax of the variations approached. That is to apply severe standards to playing of great distinction. And the A-flat Sonata was satisfying on every possible count: Serkin's technical resource was concealed but profoundly effective (marvellous treatment, near the start, of the grave bass under the fluttering right hand), and the Adagio and Arioso were precisely poignant. Each part of the *Fuga* began with cunning hesitancy and developed vitally: the pianist really seemed to hold the whole work in his hands.

Spitalfields Festival

The ninth Spitalfields Festival in Nicholas Hawsmoor's church takes place from May 22-31. The various 1985 anniversaries will be celebrated—the births of J. S. Bach, Handel and Domenico Scarlatti — as well as the less well-known ones of Saint-Saëns, Berg, Butterworth, Barber, Schütz and Tallis.

Highlights of the festival will include three performances of a new production of Handel's *Alcina*, directed by Frank Corsaro and conducted by Richard Hickox

Hoyland's Medea/Almeida Theatre

Andrew Clements

Sunday afternoon's programme by Circle and Singcircle at the Almeida included the first performance of a commission from Vic Hoyland. *Seneca/Medea* sets a substantial chunk of Seneca's play as a chorus for four voices and six instruments; it is, says the composer, the first part of a projected three-section work.

The text itself in Latin, is taken from that section of the play in which Jason is ensnared by Medea: a lengthy dissertation on physical and mental exploration, and on Man's need to explore. Hoyland's music is economical and austere, with each paragraph of the text characterised by a fixed combination of voices—the quartet singing in rhythmic unison with the instruments touching in phrases here and there to begin, soprano and mezzo soprano intertwined for the second stanza, a lyrical tenor solo for the third.

There is very little demonstrative instrumental writing: a spiky, expressionist passage echoes the description of a ship impaled upon rocks, a reflective flute solo portrays Orpheus's lyre "stunned to silence." Elsewhere, the very restraint underlines Hoyland's highly acute ear for sonority, his ability to place chords to most effect and to use intervals, especially in the vocal writing, with simple expressiveness. Perhaps, as it stands, *Seneca/Medea* seems just a shade incomplete, rather too obviously one part of a greater whole, and without a real sense of finality at its close. It is, though, most impressive in its vaguely hieratic way.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 29-April 4

Opera and Ballet

PARIS

Wozzeck is conducted by Christoph von Dohnanyi with Peter Gottlieb in the title role alternating with Soiree de Ballets. Paris Opera (742 57 50).

Rameau's Hippolyte et Aricie with William Christie conducting his baroque ensemble, produced by Pier Luigi Pizzi. Aricie is sung by Daniele Borst/Donna Brown; Diana by Veronique Dietschy/Marie Christine Porta. Salle Favart-Opera Comique (296 0611).

Händel's Ariodante in co-production between the Théâtre des Champs Elysées' Milan La Scala and Paris Opera. Jean-Claude Malgoire conducts: Production is by Pier-Luigi Pizzi and choreography by Richard Caceres. Théâtre des Champs-Elysées (723 4777).

Ballet of the Paris Opera presents Romeo and Juliette in Rudolf Nureyev's choreography and production, decors by Ezio Frigerio, with Florence Clerc, Monique Loudieres, Claude de Vulpian, Cyril Atanassoff, Patrice Bart, Patrick Dupond, Jean-Pierre Franchetti, Jean Guizerix, Charles Jude, Jean-Yves Lormeau, Rudolf Nureyev in the main roles. Palais des Congres (758 2253).

WEST GERMANY

Berlin, Deutsche Oper: The new production of Siegfried, by Götz Friedrich, has Rene Kollo in the title role and Catarina Ligendza and Gottfried Hornik (34 381).

Hamburg, Staatsoper: To commemorate Händel's 300th anniversary, Belshazzar is offered in a Harry Kupfer production featuring Walter Raffeiner, and Helen Donath. My Fair Lady has Gabriele Ramm as Eliza Doolittle and Boy Gobert playing Henry Higgins. The week's highlight is Lohengrin starring Peter Hofmann, Lisbeth Balslev and Eva Randova. (351151).

Cologne, Opera: Die Hochzeit Figaro, part of the Mozart cycle produced by Jean-Pierre-Ponnelle, is worth a visit with Margaret Marshall, Edith Mathis and Claudio Nicolai. Madame Butterfly has Yoko Watanabe excelling in the title role. (20761).

Munich, Bayerische Staatsoper: Verdi's rarely played Macbeth conducted by Riccardo Muti is premiering this week. Pique Dame brings together Elena Obraszowa, Julia Varady and Vladimir Atlantov. Parsifal has René Kollo in the title role. (21 851).

LONDON

Royal Opera, Covent Garden: The revival of Don Carlos, which was to have been in the original French, has disappointingly turned into just another Italian-language Covent Garden showing for the now-ancient Visconti production. Luis Lima, Ileana Cotrubas, Bruna Baglioni (replacing the announced Tatyana Troyanos), Giorgio Zancanaro and Robert Lloyd takes the leading roles; Bernard Haitink conducts. Further performances of the new Barber of Seville, with Thomas Allen and Alicia Nafé. (240 1066).

English National Opera, Coliseum: After many years of absence, The Bartered Bride makes a welcome return to London. The new production, conducted by Herbert Prikopa, is by Elijah Moshinsky; Edmund Barham, Penelope Thorn, Stafford Dean and Graham Clark take the leading roles. Further performances of the Fidelio revival, with the wonderful Josephine Barstow, and final ones of the witty, highly self-conscious new production of Handel's Xerxes. (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet offers mixed triple bills.

Sadler's Wells, Rosebery Avenue: (278 8916). The Ballet Rambert season is followed by the Ballet de Montreal making its London debut with a quadruple bill (Tue).

ITALY

Milan: Teatro Alla Scala: Proust, Du Les Intermittences du Coeur (based on Proust's 'A la Recherche de Temps Perdu'). An evening of ballet by Roland Petit to music by Beethoven, Debussy, Faure and Cesar Franck. (809126).

Palermo: Teatro Massimo (Politeama Garibaldi): Massenet's Werther conducted by Pierre Dervaux and directed by Giulio Chazalettes, sung by Margareta Zimmermann, Pierrette Delange, Alberto Cupido and Lorenzo Saccomani. (58 4334).

NETHERLANDS

Amsterdam, Stadsschouwburg. Balanchine programme from the National Ballet. Apollon Musagete (Stravinsky), Tombeau de Couperin (Ravel), Theme and Variations (Tchaikovsky).

The Netherlands Opera Production. La Belle Helene, directed by Lotfi Mansouri, with decor and costumes by Thierry Bosquet. Breda, Stadsschouwburg (22 35 22).

VIENNA

Staatsoper. Fidelio conducted by Stein with Hass, Watson; Swan Lake choreographed by Nureyev conducted by Rabenstein with Stadler, Birkmeyer and Dirtl; Gounod's Faust conducted by Binder with Raimondi, Weikl and Stajnc. Die Frau Ohne Schatten conducted by Schein with Hass, Watson and Jones.

Volksoper. Britten's Beggar's Opera conducted by Bauer-Theussl; Lehar's Der Zarewitsch; Lehar's Das Land des Laechelns, Count of Luxembourg; The Barber of Seville; J. Strauss' Vienna Blood. (5324/2657).

NEW YORK

Martha Graham Dance Company (New York State Theatre): The world premiere of Martha Graham's Song and last year's world premiere of The Rite of Spring open the three week season of mixed programmes featuring revivals of Appalachian Spring, Cortege of Eagles, Adromache's Lament and Judith. Ends April 21, Lincoln Center (870 5570).

TOKYO

Vienna Volksoper, Kalman's Princess Csardas: 250-member company with soloists, Karl Donch, Adolf Dallapozza, Mellanie Holliday, Mirjana Irosch. Orchestra and chorus conducted by Rudolf Bibl. (Wed, Thur). Tokyo Bunka Kaikan. (2627141; 5711689).

Theatres' crisis/Antony Thorncroft

The Manchester manifesto

On Sunday, 63 artistic directors from theatres throughout England met in Manchester to consider how to continue their campaign to persuade the Government to appreciate the contribution of the arts to the national good.

The meeting was an event in itself; but outside the fact that artistic director met artistic director for the first time, little concrete materialised. To a great extent, the Arts Council had sabotaged the meeting by announcing on Friday that 17 major provincial theatres were to receive an average 28 per cent increase in development grants under the "Glory of the Garden" programme.

Apparently, there was no willingness on the part of such beneficiaries to share their money around less privileged brethren (as theatres in London proposed after hearing about their grants). Instead, the conference toned down its anti-Arts Council rhetoric by suggesting that it had its hands tied by the Government. It wants a "crisis" meeting with the council to discuss ways of extracting a bigger grant in 1986-87, and a rally to galvanise public support — it believes there are votes in the arts.

The regional theatre companies are in a difficult position. They are, in the main, gaining from Arts Council policy. They also do not want to antagonise their local authorities, who have been asked to provide matching grants to the Council's higher subsidies. The theatres believe that a lot of the development money will not go on new projects: rather, it will make up deficits accumulated after 10 years of inadequate funding, a view that might arouse Arts Council ire.

According to Philip Hedley, of the Theatre Royal, Stratford East, who chaired Sunday's meeting, there are 24 theatrical companies on standstill grants (although they might still be waiting to hear from their local authority). Some — like the Derby Playhouse, which is employing one less actor per show and mounting one fewer production this year—already are reducing their programmes.

Undoubtedly, the theatres are suffering from the Government's decision to increase Arts Council money below the rate of inflation and rely on business and local authorities to make good the difference. But the "Glory of the Garden" cash has gone some way to make the provinces privileged as against London, and there is a rather surprised recognition that local authorities, even if rate-capped, are rallying around the arts. All in all, the regional theatres will have to work harder if their expansion of recent years is to continue.

FT COMMERCIAL LAW REPORTS

Mistaken arrest does not bar action against ship

THE STEPHAN J: Queen's Bench Division (Admiralty Court): Mr Justice Sheen: March 28 1985

A PERSON who seeks to arrest a ship to enforce his claim against her owner is not precluded from doing so by reason only of the fact that he has already arrested another ship in respect of the same claim, mistakenly believing her to be a sister ship after making proper inquiry as to her ownership.

Mr Justice Sheen so held when allowing an appeal by owners of cargo shipped on the Stephan J from the Admiralty Registrar's refusal to issue a warrant for the arrest of the ship in respect of their claim against the shipowners for loss of part of the cargo.

Section 21 of the Supreme Court Act 1981 provides: "(4) In the case of any such claim as is mentioned in section 20(2)(e) to (r) [ie a claim within the Admiralty jurisdiction of the High Court], where—(a) the claim arises in connection with a ship; and (b) the person who would be liable ... *in personam* ("the relevant person") was, when the cause of action arose, the owner ... of the ship, an action *in rem* may ... be brought ... against—(i) That ship ... (ii) any other ship of which ... when the action is brought, the relevant person is ... beneficial owner ...

"(8) Where ... a ship has been served with a writ or arrested in an action *in rem* brought to enforce that claim, no other ship may be served with a writ or arrested ... to enforce that claim; but this subsection does not prevent the issue ... of a writ naming more than one ship ..."

* * *

HIS LORDSHIP said that on January 23 1984 a cargo of carpet material in containers was shipped aboard the Stephan J at Rotterdam for carriage to Alexandria. During the voyage some of the containers were washed overboard and lost.

The *cargo-owners* claimed in respect of the loss. Their solicitors made inquiries as to the ownership of Stephan J. They were informed by Lloyd's Intelligence that when the cause of action arose she was owned by a German *company*, and that it also owned Herm J.

On February 15 1985 the solicitors were informed by Lloyd's Intelligence that Herm J was expected within the jurisdiction. On February 18 they issued a *writ in rem against Stephan J* and Herm J.

On February 20 they took the precaution of asking Lloyd's Intelligence to confirm that, as at February 18, both ships were still owned by the company. Lloyd's Intelligence replied that they were. On the basis of that information Herm J was arrested.

Very shortly afterwards it became clear to the solicitors that the information provided by Lloyd's Intelligence was erroneous. Herm J was immediately released. The writ was not served, and was amended by deletion of all references to *Herm J*.

On March 13 the solicitors were informed by Lloyd's Intelligence that Stephan J had arrived at Felixstowe. She was expected to leave at 5 pm the same day.

They applied to the Admiralty Registry for a warrant for her arrest. The Registrar refused the warrant, having regard to section 21(8) of the Supreme Court Act 1981 and the fact that Herm J was arrested and released before the writ was amended.

On the present appeal the question was whether the cargo-owners were entitled to arrest Stephan J if and when she came within the Court's jurisdiction. The claim came within the Admiralty jurisdiction of the High Court by virtue of section 20(2) *(g) of the Supreme Court* Act 1981.

If subsection (8) stood on its own, Stephan J could not be served with a writ or arrested to enforce a claim after Herm J had been arrested in respect *of the same claim*.

On facts such as the present, however, that would be an injustice. Th esolicitors had taken every reasonable precaution to ensure that, on the day they issued the writ, Herm J was *owned by the company* which would be liable on an action *in personam*.

It would be anomalous if erroneous information given and received in good faith in an answer to proper inquiry were to lea dto a situation in which no ship belonging to the correct defendants could be arrested.

The question was whether subsection *(8) should be read* literally, or whether it was capable of some other interpretation.

The purpose of the subsection was to make it quite clear that a plaintiff could arrest only one ship, either the offending ship, or another ship in the same ownership, in accordance with the International Convention Relating to the Arrest of Seagoing Ships, signed at Brussels in 1952. At the same time it preserved the practice of naming more than one ship on the writ, and deleting all but one when the time came to serve the writ and arrest the ship.

The subsection could not be interpreted in isolation. It must be interpreted in conjunction with subsection (4) of the same section.

Herm J was arrested in an action *in rem* to enforce a claim which could not possibly succeed against her owners because, when the true facts were known, it could not be contended that they were liable *in personam*. The action ought to have been brought only against the owners of Stephan J.

As a matter of commonsense it would be absurd if the result of Herm J's arrest was that Stephan J could not be arrested in respect of a claim which could properly be made against her owners.

If one had subsection (4) in mind when reading subsection (8), the correct interpretation of subsection (8) was "Where as regards any such claim as is *mentioned in section 20(2)(e)* to (r), a ship (against which an action *in rem* may be brought) has been served with a writ or arrested in an action *in rem* brought to enforce that claim, no other ship may be served with a writ or arrested in that or any other action *in rem* brought to enforce that claim."

The words in brackets, which related back to subsection (4), had to be read into subsection (8).

It was clear that the Herm J was not a ship of which, when the ataion was brought, the "relevant person" was beneficial owner. Accordingly, Herm J was not a ship against which an action *in rem* could be brought. It followed that Stephan J might be arrested *in an action in rem* brought to enforce the claim.

The appeal was allowed.

For the cargo-owners: Jeffrey Gruder (Richard Butler and Co.).

By Rachel Davies
Barrister

APPOINTMENTS

Chief general manager of TSB England and Wales

Mr Leslie W. Priestley is joining the TSB Group on April 22. He will be appointed chief general manager elect and director of TSB ENGLAND AND WALES, the bank to be operative in late 1985 or early 1986. TSB England and Wales will comprise the present Trustee Savings Bank England and Wales and the group's central banking operation—Central Trustee Savings Bank—both based in London. Mr Priestley will be joining the boards of both operations. He joins from Barclays Bank where he was regional general manager—northern region. From 1979-83 he was secretary-general of the Committee of London Clearing Bankers.

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CLARK WHITEHILL has appointed **Mr David Major** as managing director of Clark Whitehill Financial Services.

*

Sir Ronald Mason has been appointed to the board of HUNTING ENGINEERING, a subsidiary of Hunting Associated Industries.

*

RUSHES POST PRODUCTION has appointed **Mr Chris Palin** as managing director. **Mr Godfrey Pye**, Rushes major shareholder and previously managing director, becomes chairman. Mr Palin has been involved with Rushes for the past two years as a non-executive director representing the minority share holding held by *Midland Bank Equity*.

*

Mr Frank Baldrey has joined the boards of NOWSCO (UK) GROUP, Nowsco Well Service (UK), Nowsco (Neth) Group and Nowsco (IFC) as a non-executive director.

*

Mr William J. Shaw, group chief executive of the BANK OF NEW ZEALAND, will retire on June 12 and will be succeeded by **Mr Robert B. McCay**, currently deputy general manager. With Mr McCay's appointment, the opportunity is being taken to redefine the responsibilities of other senior executives in the bank. **Mr Ronald W. Mear** and **Mr Peter R. Travers**, who are presently assistant general managers, will become general manager New Zealand Business and general manager corporate and international respectively. **Mr Thomas S. Tennant**, presently chief manager New Zealand branch banking, *will join the* top management team as assistant general manager.

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The board of STEWART WRIGHTSON (AVIATION) has been reconstituted as follows: *Mr A. H. C. Colls (chairman)*; **Mr J. A. D. Palmer-Brown** (deputy chairman and managing director); **Mr P. L. Butler** (deputy chairman and chief executive, North America Aviation); **Mr D. Binks, Mr A. L. C. Brock, Mr D. A. Callow, Mr S. A. Goodes, Mr P. D. Levack, Mr A. G. May, Mr C. A. Newton, Mr R. J. W. Sayer, Mr D. S. Thompson, Mr P. J. Whalley** and **Mr E. G. Whytock** (directors).

*

Mr A. V. Driver has been appointed chairman of HOOGOVENS (UK) and Baxter, Fell & Co. in succession to *Mr E. van Veelen*, who has retired. Mr Driver is also chairman of the South West Thames Regional Health Authority. Following reorganisation of the group, **Mr K. M. Whittaker, Mr J. F. Newman, Mr C. Koetzier**, and **Mr W. J. van Slobbe** have also been appointed to the board of Hoogovens (UK).

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The chairman of the SCOTTISH TANNING INDUSTRIES group, **Mr Fred D. Lang**, has *retired*. His successor is **Mr John G. Fergus**, as part-time chairman. Mr Fergus was formerly chief executive of Scottish Lowland Holdings, a Transport Development Group holding company, and other current *directorships* include Barr & Wray and Antartex.

*

Mr Peter J. Bates has been appointed a director of THE NORTH BRITISH DISTILLERY.

*

Chief engineer **Dr *Christopher* J. R. Alker** has been appointed to the board of TRICO-FOLBERTH.

*

Mr Patrick Driebeek has been appointed director of legal services for HONEYWELL EUROPE, co-ordinating legal affairs in Europe, Africa and the Middle East. He succeeds **Mr Richard Boncy**, who moves to Honeywell's headquarters in Minneapolis to a new position as assistant general counsel.

*

Following a resolution approving the rights issue and arrangements with Olivetti International, **Mr E. Piol** and **Mr J. D. Edwards**, both nominees of Olivetti, have been appointed directors of ACORN. **Mr Peter B. Wynn**, finance director of Acorn Computers, has also been appointed a director of Acorn.

*

BLACKWOOD HODGE has appointed **Mr R. J. E. Gane** as director and general manager of Hunsbury Machinery and of Blackwood Hodge Hire. He has since 1983 been manager of the John Blackwood Hodge John Deere division, a position he *retains*.

*

Former test pilot **Mr Tom Brooke-Smith** has been installed as 33rd Master of the Worshipful Guild of Air Pilots and Air Navigators by his predecessor former *airline* **Captain Ken Blevins**. Mr Brooke-Smith is best known as the first man in the world to take off vertically in a fixed-wing aircraft, translate into aerodynamic flight and then change back to hover for a verical *landing on* April 6, 1960.

*

Mr James White, chief executive of Bunzl, has joined the board of LUCAS INDUSTRIES as a non-executive director.

*

PLANNED MAINTENACE ENGINEERING, Battersea, has appointed **Mr Martin Brown** as managing director. He joins from the Myson Group where he was director responsible for UK and worldwide sales. Mr Brown takes over *from* deputy chairman and managing director **Mr Jim Riach**, who retires in June. **Mr Brian Livermore** has been appointed to the PME board. He joined the company in 1979 as air-conditioning manager.

*

Lord King of Wartnaby has joined the board of CLOGAU GOLD MINES and has taken over as chairman following the death of Lord Harlech.

*

NORTHERN ROCK BUILDING SOCIETY has appointed **Mr George Russell** and **Mr Christopher Sharp** to the board. Mr Russell is managing director and chief executive of British Alcan Aluminium. Mr Sharp, general manager, becomes managing director.

*

Managing director of London news-based independent *radio* station LBC and Independent Radio News, **Mr George Ffitch**, has resigned because of ill health. Pending the appointment of a formal successor, LBC's general manager **Mr Bill Coppen-Gardner** has been appointed acting chief executive.

*

Mr A. T. R. Shand intends to retire from full-time activity. He will accordingly relinquish his apointments as chairman and a *director* of ALEXANDER SHAND (HOLDINGS) and his appointments in subsidiary and associated companies. Mr Shand will remain a *non*-executive director of Charter Consolidated and will become president of the Shand Group. For the present it is not intended to appoint a new chairman of the Shand Group and **Mr Stuart McLoughlin**, the managing director, will now report directly to the executive committee of Charter Consolidated.

*

General manager of NEW ZEALAND INSURANCE in the UK for the past three years, **Mr Jim Cooke** is shortly to return to New Zealand to take up a new position in the parent company's head office i Auckland. His success or in the UK is **Mr Peter Rackley** from New Zealand. He was group underwriting manager for the *South British* Group prior to that company's merger with The New Zealand *Insurance* Co. in 1981. Most recently he has been manager, development (international) at New Zealand Insurance's head office.

*

HEELAMAT HOLDINGS has appointed **Mr Martin Morgan** property director of Heelamat Limited. He has been with the company for four years.

*

Mr E. Thiele, chairman of the committee of management of the LIVERPOOL VICTORIA FRIENDLY SOCIETY has retired and is succeeded by **Mr *K. Wilkinson***, deputy chairman **Mr H. Kershaw** has been appointed deputy chairman. The vacancy on the committee is filled by the co-option of **Mr A. R. Taylor**, assistant area manager.

*

Mr Donald *Fraser*, has been appointed financial director of KODE INTERNATIONAL.

*

Mr Graham A. Coles has been appointed secretary of the James Halstead Group. He was assistant secretary.

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Tuesday April 2 1985

Managing the Post Office

THE INDUSTRIAL disruption now taking place in the British Post Office stems from management's determination to change working practices which have been blocked by union opposition for too long. That determination has been apparent in much of the public sector during the 1980s; British Airways, the National Coal Board, British Shipbuilders and other state-owned enterprises have been taking a firmer line in driving for lower costs. It is a welcome change of approach and one which, for the most part, employees have come to terms with. But, as the coal strike has shown, it can sometimes take a painful dispute to persuade unions that they do not have a right of veto over changes designed to improve the profitability of the business.

The Post Office is an interesting case, because—even after the 1981 Act which reduced its exclusive control over the conveyancing of letters—it retains most of the characteristics of an essential public service. Although large price increases can have an immediate effect on volume (and postal services are vulnerable to other forms of communication), the link between costs, efficiency and jobs is not as obvious as in, say, steel or shipbuilding.

Consultation

For most of its long history the Post Office has been run as a government department, not as a business, and this has bred habits and attitudes which are not easy to change. It is strongly unionised and there is a tradition of wide-ranging consultation with trade unions. The Union of Communication Workers, which represents the bulk of the employees, not a traditionally militant union like the miners or the dockers, but there are pockets of militancy, notably in London, where there are large concentrations of workers at the key sorting offices.

Since 1980 some progress has been made in reducing unit costs, but Improved Working Methods, a productivity bonus scheme which is voluntary and depends on local union agreement, covers only slightly more than half the workforce.

Anxious to maintain the momentum, the management has been trying to take the initiative in several contentious areas, of which the most important is the introduction of more part-time workers.

The Post Office has two peak periods of work in the mornings and evenings. The management's argument is that, under present arrangements, the business is far too dependent on voluntary overtime which is costly, inefficient and unreliable. Some 60 per cent of the postal staff work overtime averaging 13 hours a week; some 12,000 postmen—10 per cent of the total—do at least 20 hours a week. There is a total of 8,600 part-timers, but since 1978 the UCW has resisted any increase in their numbers. As a result, the use of part-timers is patchy—none at all in London for example. The management believes that with another 12,000-20,000 part-timers the Post Office could make big savings in costs and improve the service. The savings would be shared with the employees and there would be no compulsory redundancy.

Negotiations

Negotiations on a package of reforms started at the beginning of 1984, but last month a special UCW delegate conference blocked further discussion on part-timers against the advice of national officials. The UCW leaders, who are unlikely to relish an all-out battle in defence of institutionalised overtime, believe that the shift away from the consensus style of industrial relations has been too precipitate; they need more time in which to sell the changes to their members. But the management is not prepared to wait and has begun the process of implementation.

In the past the Post Office has given a higher priority to the avoidance of disputes than to the improvement of efficiency; that era has ended and it was perhaps inevitable that some form of confrontation would accompany its passing. But the extent of the disruption may well depend on the ability of the Post Office management to get its arguments across to the rank and file.

Witches' brew in Athens

GREEK POLITICS always has been a matter of ruses, the cutting of corners and, occasionally, of rough and tumble. To that extent there is nothing very surprising about the methods, bordering upon sharp practice, with which Mr Andreas Papandreou, the Prime Minister, has ensured the election of a President of his choice. What must give pause is the seeming impulsiveness with which he has broken the marriage of convenience that he had entertained with the outgoing President, Mr Constantine Karamanlis.

Tacit cooperation between the two men, uneasy though it often was, appeared to hold out well-founded hopes that Greece could get over a long history of extreme swings from left to right, marked occasionally by coups and even by civil war. What is known about the personality of the new President, Mr Christos Sartzekakis, does not make it appear probable that he will prove the creature of Mr Papandreou and of his Pasok socialist party. But the established mould of Greek politics has been broken.

Statesmanship

Passions have become inflamed. The New Democracy opposition party originally founded by Mr Karamanlis is stirring them up further. Its rage is understandable. Mr Karamanlis was kept in the dark until the very last moment about Mr Papandreou's intentions. The constitutionally guaranteed secrecy of the Presidential balloting in the Parliament was impaired, not to say openly infringed. The right of the Speaker to participate in that ballot has been challenged because he was acting President of the Republic at the time. His vote actually swayed the issue.

It is the kind of witches' brew which cannot but do damage to the idea of democracy. Greece, with colonels' rule a recent memory, can ill-afford such damage. A great deal of statesmanship will be required on all sides if the precarious stability achieved in Greek affairs is not to be endangered.

To judge by his public pronouncements, Mr Papandreou is not especially interested in stability, external or internal. But until his *coup de main* against Mr Karamanlis, his actual conduct conveyed a different message. Pasok was elected to power in 1981 with a pledge to leave Nato, responding to widespread anti-American feeling in the country. That pledge has been quietly shelved; the neuralgic agreement permitting the U.S. to maintain bases in Greece has been extended.

Pasok undertook to pull out of the European Community. That pledge, too, has been shelved. Greece may have been the most awkward member of the EEC's awkward squad, but it has not fallen out. It played its hand for all it was worth in the debate about enlargement, but eventually agreed to the admission of Portugal and Spain.

Even in the perennial quarrel with Turkey about the Aegean and about Cyprus, Mr Papandreou has never overstepped the line of ultimate caution. As in the other matters, his bark has been worse than his bite.

That said, it is fair to add that Greece has not seen much of the policy of internal reform that Pasok promised. The economy is in a mess; bureaucracy remains rampant; graft is common.

Pasok and Mr Papandreou have done neither the worst nor the best that might have been expected from them. Internationally, no apple carts have been upset—though there were times when the ride looked precarious. At home few fundamental reforms have been carried out. The battles have been mainly to gain and to preserve power.

The uncomfortable question is whether this precarious balance can be preserved. Has Mr Papandreou taken an irreversible step towards adventurism by breaking with Mr Karamanlis and relying upon Communist support to make Mr Sartzetakis the President? The question cannot be answered out of hand with a "no." Greek volatility is likely to increase; the country's allies are going to have some uncomfortable moments.

On the other hand, Mr Papandreou could become too dependent for comfort upon the Communists if he loses the support of those voters at the centre who helped Pasok to its absolute majority in 1981. Mr Papandreou may try to soothe their feelings after the affair of the presidential election by pursuing a policy of studied moderation. It would be a subtle strategy, in keeping with the deviousness of Greek politics. It is also a dangerous one, for himself and for Greece.

THE DEBATE ON EEC REFORM

Bob Hutchison

The European ideal comes a little closer

By Quentin Peel in Brussels

SOME TIME in the early hours of one morning during the past two weeks, M Jacques Delors, president of the European Commission, emerged from another gruelling round of negotiations with Spain and Portugal to declare: "I have seen the Community. It exists."

His hyperbole was perhaps forgiveable at such an hour, in the throes of what has been an extraordinary and exhausting few weeks. For against many odds, the negotiations culminated in agreement on the key EEC membership terms for the two Iberian states, as well as on a whole range of other agonising internal deals.

Last weekend's Brussels summit of the 10 Community heads of government has cleared the decks of all the most tiresome left-over baggage of recent years, and left the way clear for the 10 member states, soon to be 12, to ask themselves just what sort of organisation they want to be.

An answer to that question, and to the subsidiary problem of how to improve the way they work together, is all the more urgent because of the forthcoming enlargement. The advent of two new members will change the economic and political balance of the Community, increasing the disparity between rich and poor states, and reinforcing the influence of the Mediterranean south. Decision-making will inevitably be made more difficult on key issues such as removing national barriers to a genuine Common Market, economic co-operation and monetary union, let alone the distant and vague objective of political union.

All those issues are on the EEC agenda, and have been debated already within the committee of wise men chaired by Ireland's Senator Jim Dooge. They will now be thrashed out between national capitals before being put on the table for the heads of government in Milan in June.

The doubt remains whether they can be resolved in time, before Spanish and Portuguese accession on January 1 1986 puts family quarrels on questions of detail back on the table.

Nonetheless, the past weeks have created a momentum of compromise and goodwill which has been sadly lacking in the Community in recent years. That is a tribute to the determination of M Delors' new Commission, installed in January, to break out of the Euro-pessimism which infected the latter period of the previous team under M Gaston Thorn. It is also a credit to the Italian presidency of the Community and its key players, like Sig Giulio Andreotti, the Foreign Minister, and Sig Pietro Calamia, the permanent representative in Brussels.

It was Sig Andreotti who forced his EEC colleagues to press on through six days and nights of negotiations with Spain and Portugal to get a deal, at one stage himself chairing 40 hours of talks without a break for sleep. At the end he was heard to remark: "After 25 years in Italian government, it is really not so difficult."

Goodwill has yet to be translated into consensus

The Foreign Ministers achieved agreement with Spain and Portugal on the most difficult problems remaining: how to integrate those countries into the Common Agricultural Policy, already grossly overspent, into the Common Fisheries Policy, which took years to negotiate with the Ten, and into the Community Budget system. Outstanding details will take another two months to finalise, before the accession treaties can be signed in about June, leaving six months for all the national parliaments to ratify them.

Other deals concluded concern the budget—how to finance this year's budget gap, to provide Ecu 1bn (£570m) to cover reduced British contributions, and to increase national contributions from 1986; agricultural investment, with an Ecu 5.25bn package settled after 18 months' debate; clean-burning cars, with Germany reconciled to the slower introduction of exhaust emission standards; and even steel, with permission for national subsidies to be continued through 1985.

When it comes to the long-range debate, however, the evident goodwill has yet to be translated into consensus. The members of the Dooge committee were unable to reach unanimity on key questions such as national veto rights, the powers of the European Parliament, and the extension of Community competence to questions of defence and security.

The Farm Ministers are still locked in disagreement over the annual round of farm price increases, a debate which goes to the heart of the intended reform of the Common Agricultural Policy launched last year. The specific reforms of the dairy sector, for example, which seek to impose production quotas to prevent the inexorable growth of surplus butter and skimmed milk powder stocks, are still in the balance, with a powerful lobby seeking to dilute them.

On the industrial front, a temporary agreement to extend the present regime of steel subsidies until the end of the year has not resolved the longer-term debate over continued state aids after December.

Even on the question of removing barriers to the internal market, the heads of government are far from agreed on what a deadline of 1992 actually means. The Commission insists that a top priority should be harmonisation of indirect taxation rates like VAT and excise duties. The British Treasury, to name but one, is far from convinced that such a radical step is desirable.

At last week's summit, M Delors had hoped for a substantial debate on the question he regards as the key to the future of the European Community: its ability to catch up the lead of the U.S. and Japan in high technology, and thereby maintain its competitiveness in the world market, while also creating jobs along with economic growth. In the event, that discussion was overwhelmed by the immediate need to persuade Greece to accept a reduced cash deal for backward Mediterranean areas, and thus lift its embargo on enlargement.

The divisions remaining in the Dooge committee have formed along the lines of old members and new. Those who express most enthusiasm for pressing ahead with institutional reform, weakening the power of national veto, and strengthening the Parliament in Strasbourg, are the original Six: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. Their representatives all want to hold a new conference to re-draft the Treaty of Rome along those lines.

Britain, Denmark and Greece doubt the need for any such conference, arguing rather that the urgent need is to make the present Treaty work better, to use majority voting more frequently to overrule national objections, but to maintain the right of ultimate veto for any state which believes its "vital national interest" to be affected.

Ireland manages to stand in the middle, seeking to preserve the veto but reform the Treaty. Neutral Dublin is also the most notable opponent of defence and security questions being included in the growing political co-operation among member states—a move which all the larger members, including Britain, are particularly keen to encourage.

The differences on decision-making may be more apparent than real, for all the members declare themselves keen to have more majority voting, and less insistence on unanimity. They recognise that both ultimate power, and ultimate prevarication, rest in the Council of Ministers. But few are yet really prepared to see that ceded to any significant extent to the Euro-converts in the Parliament and the Commission itself.

Most pressure will be on Britain and Ireland to modify their positions at the June meeting in Milan. Denmark and Greece are regarded by the rest as hardened recidivists, but there is a desire in continental Europe to involve London and Dublin in the movement to greater integration.

If the Ten cannot go all the way on questions of institutional reform about the shape of Europe to come, can they at least agree on the substance?

Britain is most enthusiastic about completion of the internal market, so that the entire 320m population of the enlarged Community may give the European manufacturers the size of home market their U.S. counterparts enjoy. Lord Cockfield, the senior British commissioner, is responsible for that portfolio, and M Delors himself is lending his full weight.

Pressure on Britain and Ireland to modify positions

The endorsement of 1992 as deadline for removal of the last barriers will nonetheless require major concessions from all. For its part, the Commission has abandoned the search to harmonise all product standards on Euro-norms, because of the slow progress to date. It now proposes merely mutual recognition of national standards, provided they comply with minimum health and safety requirements.

On other aspects, a truly open internal market will mean allowing freedom of financial services, on which West Germany has been holding out against British pressure. And taken to its logical conclusion, it will indeed require common VAT bases and rates—a point on which Lord Cockfield is adamant, and the British Treasury decidedly cool.

As for M Delors' push for European programmes of high technology co-operation, he will have to overcome inevitable national pressure to agree on following a particular route which may favour one or other computer company or telecommunications system.

M Delors wants the Community to embark on an ambitious joint research programmes, on the lines of the Esprit programme to provide funding for co-operation in information technology, the Brite scheme for basic research into industrial technologies, and the most recently approved Race programme laying the foundations for Community-wide broadband integrated communications circuits.

The new Commission is also keen to expand its involvement both in job-training and employment schemes in backward regions—the regional and social funds. M Delors has argued forcefully that the wealthier northern states must be prepared to pay more to help the poorer south.

He has learned to tread more warily in pursuit of greater economic and monetary integration, leaving the further development of the European Monetary System and the European Currency Unit (Ecu) to the jealous co-operation of the central bank governors, with only an occasional helpful shove from Brussels. There at least the pressures of the market place—in support of the Ecu, for example—are accomplishing more than the Brussels bureaucracy can hope to.

Completing the Common Market and developing the EMS should not cost too much. Research programmes, and regional and social policies cost more. That is where the development plans of the Commission could clash with the budget discipline sought by Mrs Thatcher and Chancellor Helmut Kohl.

The irony is that the budget disciplinarians, on the one hand, and the spendthrift farm lobbyists on the other, could find themselves united in an unholy and unintentional alliance which keeps the Community budget locked into its present form: two-thirds for farming, with nothing to spare for new departures.

The raising of national contributions from the 1 per cent VAT ceiling to 1.4 per cent will finance spending for barely two years beyond the date of enlargement, on present calculations. Most of the increased cash is already committed.

What the Ten must ultimately decide is whether they limit the Community to what can be achieved within the present framework and resources or whether they are willing to back supra-national authority in a more aggressive strategy of accelerating integration and co-operation.

Winding road to Brussels

"Difficult and freakish work"—that is Manuel Marin's description of Spain's marathon negotiations for membership of the EEC.

The 35-year-old Spanish Minister for European Community Affairs — popularly known as "The Briefcase Man" —gave an hilarious insight into talks in an interview yesterday with the Madrid daily "Diario 16."

"If the Spanish public saw a video of the negotiations, they wouldn't believe it," Marin says. "Many times, I had the impression that we were on another planet."

A whole morning and part of an afternoon, he says, was spent defending the horned viper, a kind of snake which is protected in Spain. "You wouldn't believe the effort we had to make to explain . . . that we wanted to save this little animal. According to negotiators (from other countries) everything lethal has to disappear from Europe. Fortunately, we saved it."

Four days, Marin says, were spent talking about Spanish textiles and clothing, especially underwear. "You should have seen the Spanish delegation with Fernando Moran (Foreign Minister) at its head, singing *the praises of cotton panties.*"

Men and Matters

With further sessions on such issues a doll' heads and electric toasters, Marin concludes that *Spain was lucky that an Italian* was presiding over the talks. "We Latins see more eye to eye on things. You'd wind up crazy trying to talk to some interlocutor with a Calvinist, Lutheran mentality."

But would this sort of difference of outlook force Spain to work harder to compete in the EEC? "Of course not," Marin says firmly. "Europe sleeps just like we do . . . This idea that Europe works more and sleeps less is a myth."

Package deal

Dr Brian Smith, aged 56, who was named yesterday as the next chairman of Metal Box, is clearly not one to settle for early retirement.

After 30 years with ICI, he is leaving his present job as director responsible for the areas of speciality chemicals and the U.S. to tackle what he calls "a challenge you can't refuse."

"It's probably a good move for ICI as well as myself," he says. "It enables some fresh people to come on to the ICI board at the right time. The team has been the same for four or five years and it could do with some renewal while it is still virile."

And when he arrives at Metal Box? "There's nothing like being back in direct operations. As U.S. head of ICI, I've had good, powerful chief executives in each area and my job has been to help their general thinking. But Metal Box has made a lot of changes in the last few years. And they reckon they have got a lot more to do. The rate of change in packaging goes on apace."

ICI and Metal Box are, as it happens major customers of each other. Smith will have *plenty of opportunity to meet* old friends and colleagues.

Logical step

"Like going home" is how George Wells describes his new job as president of LSI Logic, the rising star of Silicon Valley's semiconductor industry. For the 49-year-old Scot will be back among old friends.

Wilfred Corrigan, LSI Logic's founder, tops the list. Wells and Corrigan have worked together for most of their 25 years in Silicon Valley. Both arrived in California in 1960—Wells from Glasgow and Corrigan from Liverpool—young engineers in search of high-tech excitement.

These "likely lads" went on to make their fortunes. Most recently, they worked together at Fairchild Semiconductor where Corrigan was chairman and president, while Wells held the post of executive vice-president and general manager of the components group.

Several other "Fair children" —Fairchild alumni—are in the LSI Logic management team, making the company a classic example of Silicon Valley spin-off.

But while personal relationships had much to do with Wells's decision to resign his current post as president of Intersil, a General Electric subsidiary, he is also a strong believer in the future of the "semi-custom" semiconductor devices in which LSI Logic specialises.

As president of Intersil, Wells played the role of problem solver. "Intersil was in a bad way when I arrived there two years ago," he says. The company which had only just been acquired by GE, had failed to keep up with the latest production technology and has neglected research and development. Now, Wells claims, Intersil is in much better shape. "I'm sad to leave. It's been a good two years."

Wells's job at LSI Logic will not be without its challenges. "The company has been spending at the rate of 100 per cent of revenues. That is going to *take some management*," he concedes.

New slant

More and more companies are apparently taking a keen interest in how their executives cross their t's and dot their i's.

Sheila Kurtz, a psychologist who set up a New York consultancy in graphology (handwriting), A New Slant Inc, in 1973 and now numbers 200 U.S. companies among her clients, was explaining why in London the other day.

The way you cross your t's, she says, reveals the level of your enthusiasm and how high you are aiming. Where you dot your i's shows how attentive you are to detail.

Mrs Kurtz, and her staff of five, analyse up to 300 different handwriting traits to help assess the suitability of candidates for executive posts. "There is no better way of evaluating character," she says, claiming a 95 per cent success rate.

But the most satisfying part of her work, she says, has not been in keeping unsuitable people out of certain jobs, but in pointing them towards new and more rewarding paths.

She has now written a book about her methods (Graphotypes, David & Charles, £7.95) to enable people to evaluate their own character from their handwriting.

And if they don't like what they see, she claims, they can always improve their attitudes by improving their writing. I am now looping my g's and y's to increase my "imaginative potential."

Observer

Letters to the Editor

Competition and the skies

From the General Manager (UK and Ireland) Singapore Airlines

Sir,—Singapore Airlines rarely, if ever, takes issue with you on aviation matters. Your editorial, "Hot Air about Competition," sadly contained a number of factual errors which we feel bound to correct in the interests of securing a fair hearing for our application to provide services from Manchester airport.

First, it is not true that only about half of our passengers disembark at Singapore. The figure is 80 per cent or 133,000 out of a total passenger load of 167,000. The remainder go on to other destinations. Our share of the traffic to Australia is only 11 per cent of the traffic borne by the major carriers on this route.

Second, it is obvious that given the figures above, we could hardly base an application for Manchester services on the expectation of poaching the London-Australia traffic from British Airways as your editorial suggested. Our application is based on sound economic criteria. We receive no Government subsidy and would not open a new route unless it was considered viable.

The case for Manchester stands on its own. It is a Category A international airport serving a population of 20m. Our research, substantiated by the Manchester Airport Authority suggests substantial potential passenger traffic. The potential for freight is vast with 60 per cent of the nation's manufacturing capacity being located in the Greater Manchester catchment area. It makes no sense that this traffic should have to decamp to London—or even worse, be syphoned off to Amsterdam—in order to link up with services to the Far East.

Third, your editorial suggests that no quid pro quo is being offered to BA and that we are asking for "a unilateral gesture." Our Air Services Agreement with the British Government stipulates that there must be reciprocity. For every new service we are granted to the UK a reciprocal service must be offered to BA or another designated UK carrier.

We are more than happy to offer BA three slots from Manchester to Singapore and, as evidence of our goodwill we have already agreed to allow BA to open up a new route beyond Singapore to Adelaide. So far we have received nothing in return. Last month the Government of Singapore granted permission for London Express to fly from Stansted to Singapore, again without reciprocity. The UK Government has still to give its consent and, we understand, BA has raised objections.

Fourth, your editorial refers to restrictive bilateral agreements which, as it says, British officials have so carefully negotiated. However, the agreement between Britain and Singapore is not restrictive. It is a liberal agreement which explicitly provides that there is to be no prior determination of capacity and leaves the airlines to use their own commercial judgement in this respect. This is just the sort of agreement that the Aviation Minister, Mr Spicer, has been promoting lately. All we ask is the opportunity to put it into practice.

Lastly—and this is the biggest howler!—your editorial suggests that we have somehow breached the agreement. We have not and no-one, not even British Airways has ever suggested otherwise.

As already stated, the overwhelming majority of our traffic is to Singapore as the ultimate destination, so there is no breach in that respect. Furthermore, the agreement enables the national carrier of either country to apply to expand its service without prior controls or limitations. So we are quite within our rights in applying for three Manchester slots in addition to our daily service to Heathrow.

We understand BA's reservations about extra competition on the lucrative Far East route just before privatisation, but we believe their fears to be unfounded.

When it comes to competition they have a number of factors in their favour. Each of us has a hub with spokes radiating from it in all directions. Both of us, naturally, try to draw as much traffic as possible through our own hubs, and both of us make the most of our favourable geographical locations. But BA's hub at London is much bigger than ours and has been established much longer. Like Mr Colin Marshall's previous business, Singapore Airlines has to try that much harder!

Furthermore, as your editorial so rightly states, there really is no economic justification for denying extra services on the Singapore route. We believe it can sustain more flights by both BA and Singapore Airlines. Neither airline has increased its services for 10 years during which time passenger traffic has increased by 67 per cent and freight traffic by 145 per cent.

So our message to BA is "come and join us—there's enough traffic for both of us." To the UK Government we say simply and respectfully "in the interests of liberalising aviation, increasing trade and industry in the north of England and maintaining the great goodwill that exists between our two countries, please reconsider your position and grant our application."

T. F. Kingston.

Heathrow Airport, Hounslow.

Flying into bankruptcy

From Mr A. J. Lucking.

Sir,—Truly free competition in air transport would mean that the low labour cost eastern airlines would soon drive the western airlines into bankruptcy. In 1983, some airlines paid their pilots ten times more than others, and stewardess salaries ranged from $2,500 p.a. to $22,900. Singapore Airlines labour costs were 11.7 per cent of total operating costs, vs 27.6 per cent for British Airways, and 38.1 per cent for Swissair.

Every nation needs its civil reserve air fleet so nations cannot permit the lowest cost producer to take over the whole market.

On the other hand, there are advantages in allowing the eastern airlines to carry most of the traffic to Australia. Ending the boycotts of British goods in the Philippines and Malaysia could bring in far more profit than *British Airways* is likely to generate from these markets.

Cheaper travel to Australia could increase the pathetic dribble of 12,000 British business visitors a year, who have been overwhelmed by the armies of American, German and Japanese salesmen.

Our much richer rivals find it profitable to pay the current fares, whereas the financial controllers of British firms turn green and faint at their desks when faced by a £4,000 proposal to send out a technical salesman. After all, he is only paid £13,500 p.a., and moreover, the chairman himself was there the year before last . . . .

A. J. Lucking,
Flat 20, 17 Broad Court,
Bow Street, London WC2.

Wages councils and poverty

From Mr Doug Jones,

Sir,—Many of those whose wages are set by the wages councils earn less in a week than the cost of an expense account lunch with an FT journalist. Yet one of your well-paid (and well-fed) journalists *argued (March 22 1985)* for abolition of the wages councils as a psychological gesture towards wages moderation. Aren't the wages that you quote of £30 or £40 per week moderate enough? And where is the evidence that wage council abolition would have such an effect?

As for jobs, the only evidence you cite is that up to 2.75m people may have to be made worse off in order to generate 8,000 jobs over five years. Surely this is an inefficient trade-off if our aim is to make a net addition to the welfare of the poor—both low paid and unemployed. Moreover, there is no evidence that the only way to generate employment is by increasing the numbers on poverty wages. Since alternatives exist, why insist on the poverty wage option?

Next time the Financial Times advocates cutting the wages of the lowest paid, perhaps *it could* at least attempt to present arguments that are more economically and morally robust. Or is it that no such arguments exist and that *you* advocate more poverty wages because that happens to be the flavour of the month?

Doug Jones,
Economic Assistant to Mr Roy Hattersley, MP.
House of Commons,
London SW1.

Payrolls and Hong Kong

From Mr M. H. Coulson,

Sir,—Mr J. V. Harris complains that a payroll tax would turn Great Britain into the Hong Kong of Europe. We should be so lucky!

Michael H. Coulson,
International Department,
Laing and Cruickshank,
Piercy House, 7, Copthall Ave.,
London, EC2.

The Buddy Holly connection

From Mr B. Thorpe-Smith.

Sir,—Lombard asks (March 18) "where on earth is Lubbock, Texas?" Perhaps he is too old or too young to remember it as the hometown of the rock and roll singer, the late Buddy Holly.

Barry Thorpe-Smith,
H395, Riyadh Al Kharj
Hospital Programme,
P.O. Box 7897, Riyadh 11159,
Saudi Arabia.

Our declining forests

From the Chief Executive, Economic Forestry Group

Sir,—As a forester I am saddened that the 36 *producer and* 33 consumer countries are now hesitant about co-operation within the proposed International Tropical Timber Agreement aimed at perpetuating the enormous value of our declining tropical forests as a renewable resource (Andrew Gowers report March 28 1985).

On the same page, James Buxton reports that the UN Food and Agriculture Organisation in Rome is seeking a paltry $5m to assist each drought stricken African country to produce food with no mention of the fuel-wood necessary to prepare that food or even boil water to reduce disease. What has happened to co-ordination and co-operation?

Forty eight per cent of the world wood removals each year is for fuel. Poor people are having to tramp 10 miles a day merely to gather wood to boil a kettle. In our tropical forests, an area the size of Britain is being destroyed each year for fuelwood and to clear land for nomadic farming. At this rate we shall destroy these forests during the next century.

Surely the largest timber importing countries—Japan and the EEC—must use their influence to prevent this catastrophe. The UK alone now spends the enormous sum of *£4,500m per annum on imports* of timber and wood products. In 1970 the value of UK production was equal to just over 13 per cent of imports, whereas by 1983 it had fallen to just over 11 per cent and the 1984 figures, when available, will almost certainly show a further fall.

Consumer nations, including the UK, *will bear some responsibility* for the destruction of the world's forests unless we support the producer countries and continue UK planting to achieve a higher degree of self-sufficiency.

Will the newly appointed Forestry Minister in Brussels be sharp enough to seize the initiative and use his influence to ensure a progressive forest policy for Europe and an agreement to protect the tropical forests?

John Campbell
Forestry House
Great Haseley,
Oxford

Cost accounting standards

From the chairman of the Accounting Standards Committee.

Sir,—I am dismayed by your report (March 29) that "the UK accountancy profession's efforts to agree on a common standard for current cost accounting officially collapsed yesterday."

This is untrue. The *Accounting Standards Committee* has before it and is in process of debating recommendations for a simpler, more flexible standard requiring listed companies to give information about the effect where material of price level changes on their results which I hope the ASC and subsequently the accountancy bodies will approve.

While ASC has agreed that it would not be appropriate to convert the proposals in ED35 into a standard, it remains of the view that historical cost accounts alone are unsatisfactory when they have been materially affected by changing price levels. *There is a general* recognition within the business community of the truth of this assertion, and the proposals now before the Accounting Standards Committee, if accepted, will result in the provision of meaningful information for shareholders about the effect of inflation on their companies' results.

It is important to appreciate that companies are still being adversely affected by the impact of past high and more moderate *current levels of inflation.*

The ASC's efforts to develop a suitable form of price level accounting have not collapsed nor have they been abandoned. The proposals now under consideration offer, I believe, the prospect of a *fresh, practical* and reasonable approach which will recommend itself to accountants and the business community.

Peter Godfrey.
Moorgate Place,
London EC2.

Are you being served?

From Mr J. J. Morris

Sir,—Sir Gordon Barrie's comments which you *reported* on March 18 regarding consumer protection/trade associations would be of more importance particularly to buyers of manufactured goods, if he were only to endorse the German practice whereby all companies who wish to trade in a particular sector have to comply with a national standard which in our case, of course, equates to the BSI.

It seems to me that the pursuit of customer satisfaction and value for money is better served by ensuring that *the goods they buy are of statutory* minimum standard and that efforts to improve the way the goods are sold would not be nearly as effective in protecting the consumer as a statutory obligation which ensures that the products are up to scratch in the first place.

John J. Morris,
Chairman and Managing Director,
Thermal Securities,
Newcombe Way,
Orton Southgate, Peterborough.

Engineering career prospects

From Dr J. Bowling

Sir,—I cannot agree with Mr Sweet's reasoning that the low numbers of engineering graduates is due to poor teaching of mathematics and physics in schools. Surely the major *reason potential graduates* do not choose engineering is the truncated career prospects on offer.

If industry wants more engineers, it should examine its own attitude to them. More emphasis should be placed on the fact that a good engineer works with people and understands money. How else can he provide relevant solutions to manufacturing problems.

Not only should industry insist that engineers leave university with a basic understanding of man management and finance, it should also build on this with further exposure and involvement in these areas. The future of this country as a manufacturing nation depends on us producing managers conversant and dedicated to all aspects of the business.

I find myself appalled by the implication in Mr Sweet's letter that business schools are admit*ting students who describe* subjects as boring. Business requires people who are positive in outlook. Future managers in particular *should* be chosen for their enthusiasm for all disciplines. How else can they motivate the people that work for them?

J. Bowling.
15, Bentley Way,
Coton Green,
Tamworth, Staffs

Voting reform and local councils

From Mr Roben Squire, MP.

Sir,—Largely unnoticed, the Local Government (Choice of Electoral Systems) Bill has now passed all its stages in the House of Lords, without a single dissenting vote and hardly a dissenting voice. Introduced by Lord Blake, a Conservative peer and vice-president of Conservative Action for Electoral Reform, this Bill would, if passed by the Commons, enable any district coun*cil in England or Wales (includ*ing any London borough) to introduce proportional representation for its own elections.

The *fact* that the *Bill* is unlikely even to receive a Second Reading in the Commons should not be allowed to detract one iota from the significance of its passage in the Lords. Strongly supported by a combination of Conservative, *Labour, cross*bench and spiritual peers, as well as by the Alliance, it is a product of a very real and genuine concern, not only for a fairer system of election, but also for a healthier state of *local government* than we have seen in recent years. It may also be regarded as significant that a similar Bill, two years ago, did not succeed, perhaps indicating how opinion is moving. One of our two Houses of Parliament has thus firmly pinned its standard to the PR mast.

While many are wrongly *swayed against PR for national* government by arguments about "strong government," these arguments do not apply to local government. In local government we already have coalitions, hung councils and, in other instances, control by one Party depending on the support of another. More importantly, perhaps, we have councils in which the domination of one party is so great as effectively to deny any real representation by the other Parties on the committees that run the council. Yet in none of these situations does the council's composition reflect their electorates' wishes.

Those who believe, many passionately, in the need for reform of our voting system, *look in deep dismay upon much* of the local government scene today. We cannot understand how the case for PR can be so ignored. Proportional representation will by no means solve all the problems of local govern*ment, nor indeed any of them* overnight. Nevertheless, we cannot expect local democracy to work if the relationship between votes and seats is as distorted and even perverse as it is.

Who knows?—perhaps with PR we would even see the local election turnout in the rest of the UK equalling that in Norhern Ireland. There it is around 60 per cent (64 per cent in 1982) compared with well under 50 per cent elsewhere. All true democrats must surely applaud such a prospect.

Robin Squire, MP,
Chairman,
Conservative Action for Electoral Reform,
House of Commons,
London SW1.

Political campaigning in Britain

"... which form of political canvassing do you find most objectionable: direct mail, TV, telephone . . . ?"

Now for some target practice

By Peter Riddell, Political Editor

MORE than 300,000 homes in Britain have received a letter in the past few weeks from Dr David Owen, the *Social Democrat* leader, asking for views on a variety of issues and, apparently almost as an afterthought seeking money.

This morning, Mr Neil Kinnock, the Labour leader, will launch the party's Jobs and Indsutry Campaign to try to change the public's views on economic policy.

These apparently unrelated developments epitomise the changing style of political campaigning in Britain. The days when parties courted the electorate only every four or five *years are disappearing. Instead,* campaigns are becoming semi-permanent as parties seek to identify potential supporters well before a general election.

The techniques are also changin. The traditional mass approach *through television,* newspaper and poster advertising is being supplemented by a more specific focus on particular groups of voters through the use of direct mail shots and telephones. These are common devices in commercial marketing, but their main political use so far has been in the U.S. which has been closely studied by all the major British parties.

These tactics rest on the belief, in the words of Mr Dick Newby, the SDP national secretary, that it is possible to target scarce resources much more precisely by directing the political message at particular segments of voters. On this view, most campaigns waste time and money on talking to the firmly committed rather than the *smaller number* who decide elections—sympathetic people who only occasionally vote, and undecided electors who always turn out.

Political consultants in the U.S. like Mr Matt Reese, who has advised Democratic Party candidates for two decades, have developed highly sophisticated techniques to identify potential supporters. His Geodemographic Targeting looks at attitudes as measured by an opinion poll, which are held by various groups defined by age, income, ethnic origin and lifestyle. This enables a campaign to fine tune its appeal to speci*fic groups, often of no more* than 200 people in a city block, by using a combination of direct mail and phone banks, one reinforcing the other.

Mr Reese's firm was, for example, called in by union leaders in Missouri in 1978 to help fight a "right to work" amendment to the state constitution, outlawing union shop contracts, *which would be decided by all* voters. An initial survey showed a two-to-one majority in favour of the amendment. On Mr Reese's advice, 18 groups of potentially favourable voters were identified and each was sent a different version of a similar letter. Suburban voters were told that "right to work" laws constituted government interference in the free enterprise system, while low income families were warned about sweat shops. All targeted homes were contacted 10 times in the month before the election. The result was a three-to-two vote against the amendment.

British parties are moving along the U.S. road. Ms Patricia Hewitt, Mr Kinnock's main media adviser, emphasised the lessons from the U.S. of the integration of research with advertising and campaigning. *In the past, parties have been* told where they have been going wrong. Qualitative research such as focus or dis*cussion groups of eight to 12 can* identify what people are concerned about and how they can be brought round to a particular viewpoint. This approach, coupled with conventional polling, has been used by Market and Opinion Research International to advise Labour on its new campaign, highlighting the need for the party to sound *practical and realistic.*

Similarly, this research has helped establish the tone of Labour's appeal to young voters through Mr Kinnock's contacts with the pop music world and the prominent use of singer Bily Bragg in the Jobs and Industry Campaign.

All this is light years away from Labour's traditional dislike of polling and marketing. When Mr Nick Grant was appointed head of Labour's press and publicity less than six months before the 1983 election, there was no campaign plan and no polling had been commissioned since 1979. Now there is not only a high level campaign strategy committee but there is a budget for regular opinion poliing.

The Conservatives can claim to have been well ahead of the game. Mr Gordon Reece, the *Prime Minister's media expert,* whose return to Britain in early 1983 fuelled election speculation, first looked at U.S. experience in 1976. Some of the lessons of presentation and qualitative research were applied in 1978-79. Since then, there have been close links between advertising agency Saatchi and Saatchi and Conservative Central Office. For instance, Mr Michael Dobbs, a vice-chairman of Saatchi's, is also a part-time adviser to Mr Norman Tebbit, the Trade and Industry Secretary, who is almost universally expected, not least by himself, to become Conserva*tive Party chairman this autumn.*

The Tories were the first to apply direct mail in the UK with a questionnaire and financial appeal in 50 constituencies before the 1983 election. Since then there have been occasional appeals to raise money and a larger-scale exercise before the Euro-elections. These mailings are based on previous responses, commercial lists and the Acorn (A Classification of Residential Neighbourhoods) data.

Under the current party chairman, Mr John Gummer, the emphasis has switched to constituencies. He emphasises the need to build on the Tories' existing local strengths. He sees the computers now installed in well over 100 constituencies as providing an opportunity to reach *out to new* members. Central Office is assessing the early results.

The SDP, with its centrally computerised records, has enthusiastically adopted direct mailing. It uses consumer lists aimed at the *middle class* and affluent working class. Its approach is based on a questionnaire (to provide information about potential supporters) plus a financial appeal which is the primary aim of the exercise. The U.S. experience shows that parties can tap donors regularly as lists are built-up.

Labour does not use commercial lists for its smaller scale mailing, but relies on responses to its party broadcasts and campaigns, plus subscription lists to publications like New Socialist. Mr Grant reports a good response which is now clearly paying off.

More advanced techniques of trageting are still at an early stage in Britain. The Tories have tried a few local experiments using canvass returns and the SDP also has plans in this area.

The opposition parties are interested in the use of telephone banks to contact voters. But Mr Gummer is cautious partly because he believes that, unlike Americans, the British regard the telephone as an invasion of the privacy of their *home, so canvassing might not* be acceptable.

All this does not mean that British politics is headed for *the high spending saturation* campaigns of the U.S., where last year, for example, candidates for the House of Representatives alone spent more than £150m, or 10 times the total expenditure of all the major parties in Britain in the 1983 election.

The extensive use of direct mail or telephones during campaigns would b restricted by a candadate's upper spending limt of about £4,500 during an election. But within these constraints the emphasis in Britain is now shifting towards a more direct and specific approach to the individual vote, with the opposition parties for once no longer lagging well behind the Tories.

FINANCIAL TIMES

Tuesday April 2 1985

Thousands of Danes defy new legislation on wages

By Hilary Barnes in Copenhagen

MANY thousands of Danish workers yesterday refused to return to work in defiance of the Government's wages policy legislation enacted at the weekend.

About 100,000 people staged a peaceful demonstration outside the parliament building in Copenhagen. This followed a similar demonstration on Friday. Groups of demonstrators later went on the rampage through Copenhagen, but few arrests or injuries were reported.

In Odense, Denmark's third largest city, police retreated, leaving patrol cars behind, when about 3,000 demonstrators began to riot. Trains from the Jutland capital of Aarhus were delayed when demonstrators lay across the tracks.

The Copenhagen stock exchange ignored the disturbances. Bond and share prices rose in lively trading, with the all share index going ahead by 1.71 points to 179.73.

The measures enacted at the weekend include a ceiling on wage increases of 2 per cent a year in the next two years, compulsory savings for above average earnings and an increase in the corporate income tax rate from 40 to 50 per cent.

The Employers Association said the strikes in industry yesterday involved "a great many people," but it could not give a number. Workers in most major companies went home after attending mass meetings in the morning.

In the public sector bus drivers, dockers, postmen, hospital personnel and social welfare workers were among groups most seriously affected by the strikes.

An opinion poll in the newspaper Jyllands Posten indicated that 43 per cent believe the incomes policy will improve Denmark's economic prospects and 16 per cent think the prospects will deteriorate. Among members of unions affiliated with LO, the trade union congress, only 19 per cent think the measures will worsen the economic outlook, while 31 per cent think the measures will be beneficial.

Most of those who remained out yesterday are expected to resume normal working today, although there will be considerable disruption in some sectors for the rest of the week.

Duarte claims victory in Salvador election

BY DAVID GARDNER IN SAN SALVADOR

PRESIDENT Jose Napoleon Duarte's ruling Christian Democrats claimed a decisive victory in El Salvador's national assembly elections yesterday, and on early, unofficial projections looked set to secure an overall majority in the legislature, dominated for the past three years by the country's powerful far right.

The projections come from the Christian Democrats themselves and a Mexican-owned U.S. TV network. If they are accurate – as they were in the presidential elections which brought Sr Duarte to power last year – then the Christian Democrats can justly claim a clear mandate to pursue their reform programme and Sr Duarte's stalled peace initiative to end the country's five-year-old civil war with left-wing insurgents.

Christian Democrat leaders claimed an overall majority on Sunday night and Sr Duarte himself said he expected at least 31 seats in the 60-seat assembly. The TV poll gave the ruling party 32–33 seats and the far-right coalition 22–25 seats, almost exactly reversing the balance of power in the previous legislature.

Heavy, but still unquantified, abstention is thought to have helped the Christian Democrats, because of their traditionally more committed vote.

The results, if confirmed, are a crushing blow for the far right which, though badly split, had put together a tactical coalition and had expected to consolidate its informal majority in the Assembly.

The right is expected to split further, irrespective of the results. Even before the poll leaders of the more moderate right-wing factions had been laying plans for a new party and some form of coalition with the Christian Democrats.

Both projects involve ditching Major Roberto D'Aubuisson, the former army intelligence chief widely linked to the death squad murder wave which wiped out the left's urban base at the beginning of the war, and whose neo-fascist Arena Party seems to have come out particularly badly from Sunday's elections.

Major D'Aubuisson's isolation has been actively sought in recent months by the U.S. – which has provided successive Salvadorean governments with more than $1.7bn during this war – but Washington had nevertheless been seeking a more evenly split result.

Franco-Soviet talks open amid new reports of Russian spying

BY DAVID HOUSEGO IN PARIS

HIGH-LEVEL economic talks between France and the Soviet Union opened in Paris yesterday under the cloud of renewed friction between the two countries.

Le Monde published further details of Russian spying activities in the West based on leaks from the French intelligence services, and declared on its front page that France was threatening to cut purchases of Russian gas.

Gaz de France, the importer of Russian gas, confirmed that negotiations were going on with the Soviet Union to reduce the volume of deliveries and the price paid, but Gaz de France officials were puzzled by Le Monde's claim that the French Government was prepared to "turn off the tap" if the Soviet Union did not prove more co-operative.

In an opening statement on the Soviet side, Mr Yakov Ryabov, vice-president of the Council of Ministers, said that differences over trading issues could be successfully solved if both sides showed "political will." The strong statement over the weekend by the Soviet embassy denouncing the publication in Le Monde of confidential Russian documents suggested, however, considerable Russian irritation with the French.

In its account yesterday, Le Monde gave a description based on French intelligence sources of the workings of the VPK, the commission on military industries, which places orders with the Russian secret services of priority technological data to be gathered in the West.'

According to the Soviet documents obtained by the French, the VPK assessed the savings to the Soviet Union in equipment development from industrial and military espionage at 407m roubles in 1980. This was a significant increase on the 210m roubles which KGB and GRU agents working in the west saved their country in 1976.

Of the Western technological data obtained, 61.5 per cent was U.S.-based, according to the Russian documents, 10.5 per cent came from West Germany, 8 per cent from France, 7.5 per cent from Britain and only 3 per cent from Japan.

The documents provided the evidence on which President François Mitterrand evicted 47 Soviet diplomats two years ago.

France at this week's talks in Paris is attempting to persuade the Soviet Union to purchase more French capital equipment. The French believe that the Soviets have reduced their purchasing from France to "punish" President Mitterrand for a number of "unfriendly gestures"

Rome steps up bid to avoid poll

Continued from Page 1

no Craxi but also the political map of the country for several years.

On Sunday, Sig Craxi came close to blaming the Communist Party for the death of Prof Tarantelli, because of its role over the "demagogic" referendum.

He said: "I am not accusing the Communists of fomenting terrorism. It would not be right and it would not be true. What I am saying is that the borders between extremism and terrorism are very fragile. Extremism and demagogery easily overflow into fanatical violence which generates explosions from which the crazy splinters of terrorism fly out."

Sig Ciriaco de Mita, leader of the Christian Democrats, also attacked the Communists over the referendum when he opened the party's electoral campaign in Palermo on Sunday.

The Communists, he said, wanted to "defend what exists, in the pursuit of wage increases and the preservation of the rigidity that pervades the labour market." He accused the party of doing nothing for those who had no jobs and who therefore did not benefit from wage indexation.

U.S. to hear Japanese TV dumping case

By Nancy Dunne in Washington

THE U.S. Supreme Court agreed yesterday to hear appeals by Japanese television manufacturers in a long-running dumping case which has become a focus of international concern.

On the urging of the Reagan Administration, the justices have decided to hear arguments next term on whether Japanese companies can be sued for conspiring to dump television, radios and other electronic equipment in the U.S. market.

The suit adds another irritant to U.S.-Japanese trade relations at a time when the U.S. is demanding that Japan open its markets to more American goods. It was filed in December, 1970, when National Union Electric and Zenith Radio charged that Japanese companies had conspired for 20 years to drive U.S. television manufacturers out of business.

The suit alleges that the companies dumped electronics goods in the U.S. while selling them at home for artificially high prices to build a "war chest" to subsidise their assault on the U.S. market.

A U.S. District Court and the Justice Department's anti-trust division found no evidence of a conspiracy, but in 1983 the third U.S. Circuit Court of Appeals reversed the lower court and ordered the lawsuit to trial. An appeal was brought to the Supreme Court by six different companies – Matsushita Electric Industrial, Toshiba, Hitachi, Mitsubishi, Sharp and Sanyo Electric.

The Japanese Government complained to the Reagan Administration, as did Britain, Australia, Canada, France, South Korea and Spain, who said it could have an adverse impact on trade relations.

Pressure on Japanese imports, Page 7

Penguin acquires slice of Thomson Books

BY LIONEL BARBER IN LONDON

PENGUIN, the British publisher, has taken over a large slice of the book publishing business of Thomson Books, part of the Toronto-based Thomson Organisation.

The deal, announced yesterday, gives Penguin several new imprints in the general publishing sector, including Michael Joseph, Hamish Hamilton and Sphere Books. The price was not disclosed.

The deal will significantly increase the scale of operations at Penguin, part of the Pearson Group, which publishes the Financial Times.

Sales last year of the imprints changing hands approached £25m ($30m) – roughly a third of Penguin's turnover in 1983, the last year for which figures are available.

The International Thomson Organisation's decision to sell reflects its stated policy of concentrating its book publishing in professional, reference and educational areas.

Last year it sold its U.S. publishing operation, Van Nostrand Reinhold, to Simon & Schuster. In February it sold the Illustrated London News, one of the oldest magazines in continuous publication, for £1.4m.

The sale also includes Thomson Books' Rainbird Publishing Group, TBD Book Service and a warehouse and distribution company. The book value of the companies within Thomson Books last December was £11.5m and they are described as profitable by Thomson which has outlets in the U.S., New Zealand and Australia.

Penguin has enjoyed a considerable revival under the stewardship of Mr Peter Mayer, its U.S.-born chief executive. After arriving from New York in 1978 he turned a 1979 loss of £242,000 into a 1983 trading profit of £9.1m.

In 1983 Penguin published 47m volume. Mr Mayer said he expected "quite respectable growth" for 1984, with Pearson's annual results due shortly.

Mr Francis Bennett, managing director of Thomson Books, is to join the main board of Penguin after the deal.

UK postal strike looms

Continued from Page 1

offices, but he warned that it would take time to take effect. The 3m letters at the sorting office would be locked up until other arrangements could be made.

The Post Office may increase pressure on the UCW by ordering members from other offices to take over the work at Mount Pleasant. If they refuse they will also face suspension.

The UCW executive may also consider selective action, although that would be difficult to sustain with effectively without dragging in wider parts of the network. A national overtime ban would have considerable effect but might be less popular with the membership.

The Mail Users' Association, a semi-official consumer watchdog, backed the Post Office management and called for an immediate lifting of the monopoly on letter services.

The Post Office management advised people to carry on posting letters, but admitted that the dispute would have a "massive impact" on customers.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	S	20	68	Malaga	S	19	66	Salzburg	C	16	61
Algarve	C	16	61	Faro	S	19	66	Malta	S	19	66	Seoul	C	13	55
Algiers	S	22	72	Florence	S	17	63	Manila	C	36	97	Singapore	F	30	86
Amsterdam	C	15	59	Frankfurt	F	13	55	Miami	C	26	79	Stockholm	S	7	45
Athens	S	18	64	Funchal	C	20	68	Milan	S	16	61	Strasbourg	F	19	66
Bahrain	S	26	79	Geneva	C	15	59	Moscow	R	5	41	Sydney	S	25	77
Bangkok	C	34	93	Gibraltar	S	19	66	Munich	C	15	59	Taipei	R	18	64
Barcelona	S	16	61	Guernsey	R	11	52	Nairobi	F	26	79	Tangier	—	—	—
Beirut	R	23	73	Helsinki	F	2	36	Naples	S	18	64	Tehran	—	—	—
Belgrade	C	16	61	H. Kong	C	15	59	New Delhi	C	34	93	Tel Aviv	C	17	63
Berlin	R	11	52	Innsbruck	C	13	55	New York	C	6	43	Tenerife	S	26	79
Biarritz	S	23	73	Inverness	R	7	45	Nice	F	15	59	Tokyo	C	13	55
Blackpool	C	12	54	Istanbul	R	7	45	Oporto	C	16	61	Toronto	S	1	34
Bordeaux	F	23	73	Jersey	R	13	55	Oslo	C	1	34	Tunis	C	19	66
Brussels	F	17	63	Jo'burg	F	21	70	Paris	F	20	68	Valencia	S	25	77
Budapest	S	16	61	Las Palmas	S	24	75	Prague	R	11	52	Venice	S	15	59
B. Aires	C	29	84	[illegible]	C	25	77	Reykjavik	C	-3	27	Vienna	C	17	63
Cairo	C	25	77	Lisbon	S	18	64	Rio de J'o	C	34	93	Warsaw	F	13	55
Cape Town	S	28	82	Locarno	S	15	59	Rome	S	16	61	Zurich	S	16	61
Caracas	C	28	82	London	C	17	63								
Casablanca	S	29	84	Los Angeles	C	28	82								
Copenhagen	F	10	50	Luxembourg	F	14	57								
Corfu	S	20	68	Madrid	S	18	64								
Dublin	R	13	55	Majorca	S	17	63								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder H-Hail

EEC farm prices talks resume

Continued from Page 1

pean currency unit terms – call for a 3.5 per cent cut in cereals prices.

Some countries, notably the UK, argued that this is a weakening of the system of thresholds on guaranteed prices that should have triggered a 5 per cent reduction after last year's bumper harvest.

Britain and France are also allied in support of the Commission's plans to push through the 1m tonne cut in dairy output, with M Michel Rocard, the French Minister, anxious to see his superlevy scheme preserved.

The only area in which Herr Kiechle may have his way is in his resistance to a further reduction in West Germany's monetary compensatory amounts (MCAs) – the cross-border taxes and subsidies that defend West German farmers from lower prices elsewhere in the Community.

A victory on this relatively insignificant point, however, will not be enough to satisfy the West German Minister's highly critical political constituencies at home.

EEC price-fixing meetings are notorious for their backroom trade-offs. Herr Kiechle could win some support from Italy and Greece if he backs their demands for less vigorous cuts in fruit and vegetable prices.

W. German offshore centres urged by bank chief

By Jonathan Carr in Frankfurt

WEST GERMANY should allow creation of offshore banking centres on its territory to help boost its role in international finance, according to Dr Walter Seipp, chief executive of Commerzbank, one of the biggest German banks.

Dr Seipp said he saw no technical problems for the Germans in introducing offshore facilities along the lines of those operating elsewhere, for example in Britain and the U.S.

The flow of international finance through such centres in Germany – as elsewhere – could be insulated from the domestic markets and hence would not swell money supply, Dr Seipp told a press conference.

Dr Seipp's comments, his most detailed on the topic so far, come at a time of growing domestic debate on how West Germany can be made more attractive for international finance.

The Bundesbank, the central bank, has taken steps in that direction and is expected shortly to give the green light to the use of innovative financial instruments such as variable interest rate facilities which it has so far resisted.

Dr Seipp made clear, however, that, welcome though these moves were, the key improvement in his view would only come when 'offshore' centres were permitted, freed from the Bundesbank's strict minimum reserve regulations.

The Commerzbank chief noted bluntly that despite the strength of the German banking system and the stature of the D-Mark, Frankfurt lagged far behind New York or London as a financial centre.

Euro D-Mark business was carried out in London or Luxembourg, even in South-East Asia and the Caribbean, Dr Seipp pointed out – but not in the Federal Republic.

In his view, West Germany had too long been sheltered from international capital transactions because of the "previously understandable" fear about the rise of the D-Mark as a reserve currency.

Dr Seipp said he could understand that central banks were not happy about the huge volume of offshore funds flowing through the Euromarkets.

After 20 years of growth, however, that volume could not be liquidated. He saw no point in West Germany denying itself offshore centres when other countries were benefiting from similar facilities.

Replying to questions, Dr Seipp said he did not think offshore business in Germany would undermine Luxembourg as a financial centre. There was enough business available for all.

£ strength 'justified rate cut'

Continued from Page 1

will reinforce the belief in London markets that the exchange rate has become relatively much more important in the determination of interest rates.

He confirmed that the Bank of England would now like to see the money supply aggregates at the centre of their target ranges rather than near the top. But he said it did not follow that the bank would oppose a further cut in interest rates until the money supply was clearly in the middle of its target.

The authorities' response would depend on several other factors, including the strength of sterling on the foreign exchanges. If there was no worry about the exchange rate, the money supply could be at the top of its range.

In his review of Britain's economic outlook, Mr Lawson drew encouragement from what he said were signs of an overdue correction in the value of the dollar.

He was careful to avoid any direct prediction on the fortunes of the U.S. currency but commented: "There has certainly been a different tone in exchange markets over the last few weeks."

The intervention by leading central banks against the dollar earlier in the year had proved "well timed and well judged."

Yesterday, however, the U.S. currency recovered slightly after its heavy losses of recent weeks, rising against all leading currencies in what dealers said appeared to be a "technical correction."

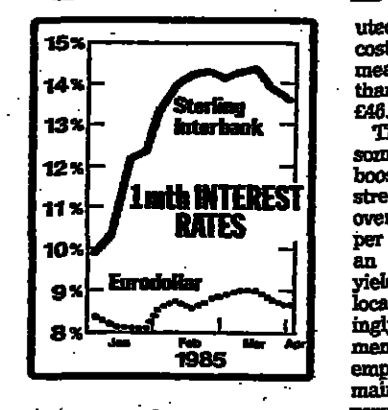
After falling sharply in early trading, the dollar had rebounded to DM 3.12 at the London close, up 3.75 pfg from Friday.

Sterling fell 1.5 cents to $1.2225 at the London close, but the sterling index, calculated slightly earlier, was unchanged at 77.2 and the pound was generally steady against non-dollar currencies.

THE LEX COLUMN

Not quite such a tight ship

In the bad old days, like last July, it could take only a lax word from the UK Chancellor on the subject of sterling and interest rates to make sterling a one-way sell and send money rates through the roof. It now appears, with the dollar in retreat and after nearly three months of defensively high sterling interest rates, that Mr Lawson can talk guardedly about loosening up – and get away with it.



After a fashion, that represents progress. There is an implicit admission that when sterling came unstuck in January it was an indication that monetary policy had become too loose. The Governor of the Bank of England was prepared to say yesterday that both bank lending and public sector spending were growing out of hand.

While there is not much evidence that either rogue variable has been tamed since – aggressive funding may trim the money stock, but it does nothing about spending or lending – the markets could at least reassure themselves that any relaxation would be pretty strait-laced.

It does look rather as if the authorities are – at long last – prepared to work with inflation and the exchange rate as their indicators of policy stance. Monetary measures are perhaps no more than window dressing. Just now, with a 10 per cent bounce in the pound behind us, the inflationary consequences of the winter sterling crisis have mostly been wound back on the spool.

To authorities in that frame of mind the reluctance of Barclays and Midland to brings their base rates down to 13 per cent must seem a bit curmudgeonly – like the chairman of Barclays complaining yesterday about the incubus of pound coins.

With the combined weight of Governor and Chancellor on the record yesterday, it now seems plain that Barclays – and the money market – will soon have to go the whole way down to meet NatWest's cut of last week.

It only needs the Bank to sweeten the cost of one-month money a little.

Take-over Code

The Take-over Code has, by common consent, sprouted too many cumbersome rules in its relatively short life, so yesterday's decision to lop off a couple of branches in preparation for a thorough pruning will be welcomed by all and sundry. Rule 42, which prevented an offeror from declaring a bid final at the outset, was not merely unnecessary; it also deprived the market of price sensitive information. Its withdrawal is long overdue.

The case for axing Rule 37, which can prevent anyone with a significant commercial interest in the outcome of a bid from trading in the shares of either the offeror or the offeree, is less convincing. The rule is admittedly difficult to enforce and its implementation must by definition be rather arbitrary. But it does have its uses. It is open to doubt, for example, whether Whitbread Investment Trust should be permitted to accumulate a defensive stake in Matthew Brown purely for the purpose of obstructing the present offer from Scottish & Newcastle. If it is against Whitbread's interest – but not the public interest – for S & N to buy a regional brewer, then perhaps Whitbread should make a bid itself or stay out of the fray altogether.

Slough Estates

In the fashion-conscious world of property, industrial sites in the English Midlands are as trendy as bellbottoms. So it is hardly surprising that Slough Estates, with its almost entirely industrial portfolio, is rated at a 32 per cent discount to its net asset value, far worse than the average discount for the property sector of 24 per cent.

Despite its rather dowdy properties, Slough managed to give the market a superficially pleasant surprise with its 1984 figures, showing pre-tax profits up £13.4m to £33.6m. Of this, however, the Allnatt group, included for its first year, contributed about £7.5m net of financing costs. The net asset value per share, meanwhile, rose nearly 10 per cent, thanks to revaluation surpluses of £46.5m.

The net surplus, however, hides some write-downs in the UK and is boosted to the tune of £26m by the strength of the dollar. Vacancies, at over 10 per cent overseas and 6.4 per cent in the UK, would be fine if an upturn were on its way, but yields and rents in all but the best locations have remained depressingly static. And unless the Government makes some headway on unemployment, it is hard to envisage mainstream industrial values rising very much.

While Slough remains 90 per cent dependent on industrial properties, it will continue to be vulnerable to economic downturns. Yet the shares – up 5p yesterday to 135p – yield less than the sector at 5.2 per cent, despite their large asset discount.

Since assets may not get much help from the dollar this year, the only real way for the shares to make headway is for industrial revival to put a premium on factories, a turnround that may take as long as a reversion to flared trousers.

Hotels

The latest report by Pannell Kerr Foster on the outlook for London hotels will help hoteliers all over the city sleep easy in their king-size beds. While not quite subscribing to the Ladbroke view that the hotel cycle is a thing of the past, the report suggests that 1985 at least should be another excellent year for the industry.

With room capacity almost at a standstill and tourists still flooding into town, so it should be.

The report contains some illuminating graphs on the relationship between occupancy rates and the sterling/dollar exchange rate. The text of the report rather plays down the connection – London hotels do not live on dollar income alone – but if the present strength of sterling is extended, then history suggests occupancy levels should start to be affected roughly this time next year.

The sector rating, however, suggests that the good times should persist at least into next year and possibly for longer. Not exactly a nightmare for the hotelier, but enough to trouble his sleep.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Tuesday April 2 1985

Canada to sell three state-held companies

By Bernard Simon in Toronto

CANADA Development Investment Corporation has retained three merchant banks, S. G. Warburg of London, Merrill Lynch of New York and Burns Fry of Toronto to advise it on the sale of two state-owned aircraft companies, De Havilland Aircraft of Canada and Canadair, as well as the uranium producer Eldorado Nuclear.

The Canadian Government said last November that it planned to privatise the three companies presently controlled by CDIC. Mr Paul Marshall, CDIC president, said yesterday that a number of potential buyers have expressed interest in the companies and received confidential packages of information.

He said, however: "Were are not yet at the negotiation stage. We wanted to have financial advisers in place before we got to negotiating."

The Government hopes to finalise sales of the companies by the end of this year but the negotiations raise numerous complex commercial and political issues.

Michael Donne, Aerospace Correspondent, adds: Both aerospace companies have passed through a difficult period financially. For the first nine months of the 1984 financial year, Canadair's sales have amounted to C$325m (U.S.$237m), with a net income of only C$2m, while de Havilland Canada in the same period achieved sales of C$160m, with a net loss of C$19.6m.

The Canadian Government is placing no overt restraints on who potential buyers might be, so that it is open to any Canadian, U.S., European or other companies to bid.

Canadair's principal project is the Challenger business jet aircraft. De Havilland is busy in the short take-off and landing (STOL) commuter and regional aircraft field with the Dash Seven four-engined turbo-propeller 50-seat airliner and the smaller twin-engined 36-seat Dash Eight both of which are in quantity production

Commerzbank in weaker start

BY JONATHAN CARR IN FRANKFURT

COMMERZBANK, which in 1984 achieved group operating profit of more than DM 1bn ($312.5m) for the second year in a row, has begun 1985 with a drop in interest profits and a sharp rise in commission earnings.

Dr Walter Seipp, chief executive, said the parent bank's *interest margin* – the difference between interest earned and paid – had fallen to just below 2.50 per cent in the first two months, after an average 2.61 per cent in 1984.

As a result, profits from interest business were down by 1 per cent, although commission earnings had jumped by 20 per cent. These combined earnings, less operating costs, left Commerzbank with "partial" operating profits DM 3m down in January-February compared with one sixth of the result for the whole of 1984.

Commerzbank is the first of the so-called "big three" West German banks to give full results for 1984 and sketch developments this year. Dresdner Bank follows tomorrow and Deutsche Bank on Thursday.

While the results for two months cannot be taken as a sure guide for the year, it is plain that the trend to higher interest rates generally is further cutting the interest margins *of all but a few banks.*

A continued fall in the U.S. dollar would give the Bundesbank more scope to relax its key interest rates, encouraging a general fall in rates and helping the banks to improve *their margins. But bankers have* become even more sceptical of making dollar forecasts.

Last year Commerzbank saw its interest margin fall to 2.61 per cent from 2.64 per cent in 1983, but it more than made up for this by boosting average business volume by 3.3 per cent. Total assets rose by 8.8 per cent to DM 72.8bn.

Commission earnings were up but "partial" operating profit was none the less down by 8 per cent to DM 635m because of a strong rise in expenditure. Dr Seipp noted that the gap between rising costs and earnings was growing wider again, and this required special attention.

Overall, however, Commerzbank had a strong year in the group (which includes the Luxembourg *subsidiary). Its full operating profit* (which includes the results of own account trading) is understood again to have been more than DM 1bn and only a little lower than the record 1983 figure. In neither case, however, are the exact sums revealed.

Dr Seipp said the bank had set aside still more risk provision than in the previous year to cover possible losses on its international lending, but had felt able to reduce the provision for domestic risks.

After several years of business difficulties followed by consolidation, Commerzbank has been able to achieve a marked improvement in its balance sheet structure. For example, it has sharply cut its liabilities to other banks and has become a net lender in the interbank market.

But Dr Seipp revealed that the bank was none the less a long way from meeting the tougher new capital lending ratio stipulated by the revamped Banking Law which took effect this year.

Under the new rule, total consolidated group lending must not exceed 18 times a bank's capital and reserves. Dr Seipp said that Commerzbank's ratio was more than 22 times, but he noted that banks were allowed a six-year transition period to come within the legal limit.

As announced, Commerzbank is proposing an unchanged dividend of DM 6 per DM 50 nominal shares for 1984. It will also seek approval from the annual meeting on May 15, for the issue of profit-sharing certificates ("Genuss scheine") worth up to DM 500m.

Alcan warns of decline in first quarter profit

BY ROBERT GIBBENS IN MONTREAL

ALCAN Aluminium of Canada sees the world aluminium market improving, but it could be mid-year before any real impact is felt on ingot prices and profits start to recover.

Mr David Culver, group president, said net profit for the first quarter of 1985 could be lower than the minimal $20m or 20 cents a share earned on sales of $1.2bn in the final quarter of 1984. Though Al*can was in the black in* the first *two* months, "it's difficult to predict in present conditions."

Heavy imports of metal into the U.S., mainly because of the dollar's *high external value, have helped to* bring North American ingot prices down to near the 1982 low of 40 cents a pound, eating away the profits of the major North American producers.

Alcan's European operations, *however, have swung back to profits*, due to the high dollar, and its Canadian smelting costs have also declined because of the lower Canadian dollar.

The company is slimming "from the top down," keeping capital spending to the minimum, and cutting output at the 65 per cent-owned Aughinish Alumina plant in Ireland.

The most important favourable factor for 1985 would be a drop in the dollar which would immediately improve cash flow. Mr Culver did not rule out further cuts in operating levels in Canada and the U.S., "though our inventories are coming within an acceptable range."

In the past few months, Alcan has reduced primary capacity by nearly 100,000 tonnes yearly, or nearly 10 per cent.

Air Canada calls for broader equity base

BY OUR MONTREAL CORRESPONDENT

AIR CANADA, which expects slow growth in domestic markets for the next two years and poor margins, will need new equipment to expand its more lucrative international services, according to Mr Claude Taylor, chairman. He said it was becoming more and more urgent to deal with the company's narrow equity base in order to keep its debt-equity ratio in shape.

Last year the airline's debt rose about C$230m (U.S.$168m) to C$1.1bn, mainly because of the delivery of six new Boeing 767 aircraft. The debt-equity ratio was about 72-28. The airline has for *several years been asking the federal* government for new sources of equity capital or conversion of government-held debt to equity to ease its problems, but little action has been taken.

Mr Taylor warned that Air Cana*da's 1984 operating margin was far* below the level required to offset higher interest costs.

Its return on equity remains "far short of the competitive level required to attract the necessary capital" for expansion of services and fleet renewal, he said.

Air Canada turned in a 1984 net profit of C$7m compared with C$3.8m in 1983, but after special items such as investment tax credits, aircraft sales and foreign exchange windfalls, operating revenues were up 9 per cent to C$2.51bn and operating expenses up 8 per cent to C$2.47bn.

Operating net income was C$4.8m, against C$28.4m. Return on investment was 7 per cent, compared with 4.9 per cent, and return on equity 5.5 per cent, compared with 6.8 per cent.

U.S. health groups in $6bn merger

By Terry Dodsworth in New York

TWO OF the largest private-sector health care groups in the U.S., Hospital Corporation of America (HCA) and American Hospital Supply, are linking in a $6.6bn agreed merger that will create the biggest company of its kind in the country.

The deal follows a period of intensifying pressures on the health care industry, due to efforts to reduce costs in the government-supported Medicare programme, and in private corporate health insurance plans.

Mr Karl Bays, chairman of American Hospital and chairman-designate of the new combined company, said the deal was designed to respond to this changed health care environment. "Our new company will be able to deliver more cost-effective health care to the benefit of hospitals and patients."

The exchange rate in the merger has been set at one share of American's stock for three-quarters of a share of the combined company. HCA shareholders will receive one share in the combined group for each share they currently hold.

On completion there will be about 145m issued shares outstanding. The new group will have combined assets of $7bn and revenues of $7.6bn. Last year HCA earned $296.8m on sales of $4.18bn, while American had net income of $237.8m, on sales of $3.45bn.

In a joint statement the two companies indicated that they did not believe there would be any opposition to the merger from the anti-trust authorities, but the deal would be examined as a matter of course by the Justice Department or the Federal Trade Commission.

Shares in both companies were suspended on the New York Stock Exchange yesterday, where American had closed at $37 a share on Friday, and HCA at $46.50.

Wall Street believes the agreement could prompt a series of similar amalgamations

Heavy FCA losses provoke major group investigation

BY PAUL TAYLOR IN NEW YORK

FINANCIAL Corporation of America (FCA), the troubled West Coast financial group which owns the nation's largest savings and loan association, American Savings, yesterday reported a $512.1m fourth quarter loss and a $590.5m loss for the full year.

FCA also announced the launching of an internal investigation into "the nature and origins" of the group's problems. The group will report its findings to the board after which FCA said the company's legal counsel and management will decide "the appropriate action to be taken."

The full year loss, which dramatically reduces the group's equity capital, is the second largest ever recorded by a U.S. financial institution. The group's total capital funds fell to $271.5m at year end from $1bn a year earlier while shareholder's equity dropped to $193.7m or $4.53 a share from $925m or $20.43 a share at the end of 1983.

The full-year loss had been expected, following warnings last month from the group – warnings which forced the group to temporarily raise its deposit rates paid to investors in order to reduce a new deposit outflow.

Mr William Popejoy, chairman and chief executive of FCA said the loss for the year was primarily caused by an additional $421.6m provision for losses on loans and property together with a $42m provision for accounting adjustments and a $38.2m increase in the reserve for losses on accrued interest.

In addition, he said a further $28.6m in losses resulted from the write-down of physical assets and other contingencies. The loss from other operations for the company last year was $60.1m.

Mr Popejoy said: "We view these as stringent measures, but necessary to continue to rebuild the company's financial foundation. He said that an "exhastive evaluation" of the company's loan and real estate portfolio began last October dictated "the setting aside of substantial reserves."

Lossers for both the quarter and the full year were slightly offset by a $12.1m extraordinary gain. The fourth quarter loss, equivalent to $14.23 a share, compared with net earnings of $56.3m or $1.11 a share in the previous year and came on revenues which increased from $721.8m to $880.6m.

The full year loss, equivalent to $15.53 a share, was against net earnings of $172.5m or $4.57 a share in 1983 on revenues which grew to $3.2bn from $1.83bn.

Mr Popejoy added: "Although we do have problems in the loan and reale state portfolio that result from previous business practices, the vast majority of the association's loans are sound and actions are being taken to address any problems.

"It is also important to realise that American Savings is a secured lender. Our loans are backed by real estate, right here in the U.S."

FCA added that although the company's net worth has been severely affected by the 1984 loss, "it is management's primary objective in 1985 to increase the company's net worth." Mr Popejoy, who replaced Mr Charles Knapp as FCA chairman last year, added that, "1985 will be a year of reassessment, restructuring and rebuilding."

Dealings in Syme halted by Bell Group injunction

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE BIZARRE struggle for a key stake in David Syme, the publisher of The Age newspaper of Melbourne, was temporarily halted yesterday when Mr Robert Holmes à Court's Bell Group, of Perth, obtained a Supreme Court injunction that restrains trading in Syme shares until 4 pm today.

The move indicates that Mr Holmes à Court—currently assembling a blue chip portfolio of Australian resource investments—still nurses serious ambitions on the Australian media front.

Last week, John Fairfax, the Sydney media group, bid an initial A$6 (U.S.$4.20) a share for the 16.4 per cent of Syme it does not already own. The main parcel—14.1 per cent—was held by a Melbourne rival, Herald and Weekly Times (HWT).

Last Friday, 20 minutes before the closing bell, HWT offered its 1.68m Syme shares on the floor of the Melbourne Stock Exchange at A$10.20 each. Pandemonium ensued, with brokers representing Bell Group, Fairfax, and an unknown third party, claiming they had bought them.

Bell Group's lawyers argued yesterday that the dispute should be resolved in court rather than informally by a Stock Exchange committee.

Fairfax recently bought The Spectator magazine in Britain. Though habitually secretive about its plans, Fairfax has also been tipped as a possible Fleet Street entrant.

Further bid for survival by Banco Filipino

By Our Financial Staff

BANCO FILIPINO, the Philippines' largest savings bank, has asked the courts to overturn a central bank decision last week that it be placed in liquidation.

The move follows BF's unsuccessful attempt in January to persuade the courts to set aside an earlier central bank order putting it under the receivership of the state-owned Philippine National Bank.

It attacked the latest central bank move as a "gave abuse of discretion," and sought a court order to require the central bank to hand over reports on the BF books which were alleged to have justified both the receivership and liquidation decisions.

Mr Orlando Samson, the company secretary, said that at the end of 1984 the banks bross assets stood at some 6bn pesos ($325m) compared with liabilities of 4.4bn pesos. All subsequent records had been handed to the central bank, he said, "but the situation as of December could not have changed drastically."

The central bank sad last week that BF showed negative net assets of 1.25bn pesos for January, and that it could not resume business with safety to its depositors and other creditors.

Downturn for Esso Malaysia

By Wong Sulong in Kuala Lumpur

ESSO MALAYSIA has reported a 16 per cent drop in net profits to 58.6m ringgit ($23.4m) for 1984 and is cutting its dividend. Turnover fell by 3 per cent to 1.4bn ringgit.

The final dividend is 20 cents per share, making 30 cents for the year, compared with 40 cents.

The company, which is a 65 per cent subsidiary of Esso Eastern of the U.S., attributed the lower profits to a decline in petroleum product prices, which reduced margins. Lower sales of fuel oil to the national electricity board also had an adverse effect.

Cheung Kong profits sharply lower

BY DAVID DODWELL IN HONG KONG

CHEUNG KONG (Holdings), the Hong Kong property group controlled by Mr Li Kashing, yesterday reported sharply reduced profits for 1984. The fall in earnings, expected by most market analysts, was a reflection of the slow pace of recovery in Hong Kong's property market, and of provisions intended to wash the company's hands of problems hung over from recession in the territory in 1982 and 1983.

The company reported an after-tax profit of HK$ 213.5m (U.S.$ 27.4m), compared with HK$ 409m in 1983, before extraordinary losses of HK$ 112m in connection with the disposal of the group's interest in the ailing China Cement Company.

Hutchison Whampoa, the trading, property and shipping group effectively controlled by Cheung Kong by means of a 35.1 per cent stake, at the same time disclosed a profit after tax and minorities for 1984 of HK$ 1.02bn, a 12 per cent fall from 1983.

Mr Li said signs of a recovery in the residential and industrial property markets emerged too late in the year to affect Cheung Kong's profits significantly. He reported losses in its associate Green Island Cement, as well as in China Cement, of which it now holds only 5 per cent. International City Holdings (ICH), a property group in which Cheung Kong has a 32 per cent holding, also recorded a loss.

He was nevertheless confident that 1985 would produce better results. No more provisions should be expected, he said, and Green Island and ICH were no longer making losses. He said property investments amounting to HK$ 1bn last year should begin to bear fruit early in 1986, stimulating profit growth next year.

Mr Simon Murray, the managing director of Hutchison Whampoa, said its downturn in profits was due to a steep fall in exchange gains, which had provided a boost of HK$233m in 1983, but added a mere HK$55m last year.

Having recently spent HK$2.9bn acquiring a controlling stake in Hongkong Electric, the local utility, the group's net cash balances have been consumed and instead it has debts of just under HK$1bn.

Mr Murray said that apart from ship chartering and repair activities —both of which made losses last year—the group's businesses had performed well. Profit markins in retailing have been squeezed however, after a year-long price war with the retail supermarket chain controlled by Hongkong Land.

Hutchison is recommending a final dividend of 56 cents per share making a total for the year of 84 cents, up by 48 per cent on last year. Cheung Kong is recommending a final dividend of 30 cents making an unchanged 45 cents a share.

Tan awaits court ruling on Carrian charges

BY OUR HONG KONG CORRESPONDENT

COMMITTAL proceeding against Mr George Tan, the former head of Carrian Investments, and four associates, ended yesterday after six months before a Hong Kong magistrates' court. Mr Brian Suttill, the magistrate hearing the case, will rule on Tuesday next week whether the five men should be committed to full trial.

The collapse of Carrian, the property and shipping group, has been one of the most controversial events in Hong Kong's corporate history. When it was put into liquidation in October 1983, it had debts estimated at HK$10bn (U.S.$1.3bn). The collapse has been linked with murder, a suicide, and a scandal at the highest level of the Malaysian government.

Mr Tan was charged in May last year with conspiracy to defraud shareholders in Carrian. Charged with him was Mr Bentley Ho, a former director of Carrian, Mr David Beeg, a partner in Price Waterhouse, the accountancy firm, and another Price Waterhouse employee, Mr Anthony Lo. Separate charges of conspiracy to defraud are faced by Mr Richard Wallis, a solicitor in Deacons, one of Hong Kong's leading legal firms, and the two former Carrian executives.

Committal proceedings against the five men began controversially in October last year with the magistrate ruling that the hearings would be held in camera. Protests from international and local media led to a relaxation of this ruling, though reporting restrictions have been enforced throughout.

The collapse of Carrian was a major embarrassment to the Malaysian Government. Bumiputra Malaysia Finance (BMF), the Hong Kong-based subsidiary of the country's biggest bank, Bank Bumiputra, was Carrian's main creditor and had debts of about HK$8bn outstanding when it went into liquidation.

Scandals arising out of inquiries into how the loans were made have led to sackings and a wholesale re-organisation of Bank Bumiputra. Petronas Malaysia's national oil company, was called upon in September to rescue the bank with a cash injection of 2.5bn ringgits (U.S.$1bn).

In Hong Kong, there was close public interest last year in the trial of Mr Mak Foon Than on charges of murdering Mr Jalil Ibrahim, a senior executive in BMF with special responsibility for loans. Mr Mak was eventually found guilty of murder.

There was a similar sensation surrounding the mysterious suicide in April last year of Mr John Wimbush, a former senior partner in Deacons. Mr Wimbush was due to be questioned by police in connection with the Carrian case on the day after he died.

If Mr Tan and his four associates are committed for trial, proceedings are likely to begin in the autumn. It is possible that by then the Hong Kong Government will have forced through controversial new legislation to hear complex commercial trials before judges sitting with two specialist "assessors" rather than before normal juries.

Small fall in earnings at Bahraini bank

BY MARY FRINGS IN BAHRAIN

AL-AHLI Commercial Bank, the third ranking among Bahrain's six locally incorporated domestic banks, has reported a profit of BD 2.34m ($6.2m) for 1984, its fifth year of operation.

Although net interest income showed an increase of 18 per cent, earnings were 2.25 per cent down to BD 2.34m. This was due to higher provisions both against possible loan losses of BD 500,000 compared with BD 300,000 the previous year—and of BD 280,000 compared with BD 186,000 against a decline in the value of investments.

The loan loss reserve now stands at BD 1.8m on a total portfolio before provisions of BD 101m. Less than 13 per cent of the loans are off shore, and two-thirds of the total are trade related. Investments, valued at BD 3.15m at end 1983 and BD 2.93m a year later, are all in the shares of Bahraini public companies, including other banks.

The balance sheet showed all-round growth. Assets, excluding contingency accounts, rose by 15.8 per cent to BD 138m, net lending by 20 per cent to BD 99m, and deposits by 16.7 per cent to BD 132m.

Letter of credit and guarantee business increased substantially, from BD 38.8m to BD 58.5m, boosting fee income by 80 per cent to BD 608,000, but the return on average assets deteriorated from 1.87 per cent to 1.57 per cent.

INTL. COMPANIES & FINANCE

French hotel chain sees growth

BY DAVID HOUSEGO IN PARIS

ACCOR, the fast expanding French-based international hotel and restaurant group is expecting a 21 per cent boost in profits to at least FFr 170m ($18m) for 1985.

Accor includes the Novotel, Sofitel and Ibis hotel chains as well as pizzeria and fast food restaurants in the U.S. and Europe. The group is now one of the world leaders in numbers of hotel rooms and is spread across 45 countries.

It has recently diversified into building a new series of one star hotels in France while moving up market in the restaurant business with the purchase of a 44 per cent stake in Lenotre, the French-based catering and confectionery group.

M Gerard Pelisson, the financial executive of the group, none the less, described the financial results as "modest" beside those of U.S. and British competitors. But he said that there was a substantial reserve of profit to be tapped.

This year's profit rise will be on the basis of an expected 18 per cent increase in turnover to FFr 11.5bn. The group has set itself targets of raising profits by 12 per cent a year in real terms over the next five years.

Half of group turnover is earned abroad and half derives from its hotel interests.

Among new projects under consideration is a further expansion in the tour operating field. The group is considering acquisition of tour operating groups in the U.S.

For 1984 net profits totalled FFr 140m on a turnover of FFr 9.88bn.

Snecma beats forecast with return to black

By Paul Betts in Paris

SNECMA, the French state-owned aircraft engine company, reports better than expected earnings for 1984 of FFr 40m ($4.3m) compared with a loss of FFr 38.5m the year before.

The company, which makes engines for French Mirage jet fighters and for Airbus, had forecast a small loss for 1984. Snecma sales rose 24 per cent to FFr 8.2bn with exports accounting for 66.5 per cent of the total compared with 64.5 per cent in 1983.

For its part, Aerospatiale, the state-owned aerospace company, expects to report another loss in 1984 although lower than the FFr 357.5m deficit reported in 1983. The loss in 1983 was the company's first deficit since 1978 and followed a FFr 96.2m net profit in 1982.

The aerospace group, which expects to balance its accounts this year, saw a recovery in new orders which totalled FFr 20.15bn compared with FFr 12.9bn in new orders in 1983 and FFr 15.7bn in 1982.

The recovery in new orders fell short of the group target of about FFr 25bn, however orders in the civil aircraft division were disappointing at FFr 5.9bn. New helicopter bookings were sharply higher.

Improvement for Hero as foreign losses subside

BY JOHN WICKS IN ZURICH

HERO, the Swiss foods group best known for its jams, reports strongly increased profits for 1984 following loss elimination in Italy and the Netherlands.

The company, which recently announced plans to deter unfriendly takeovers, says net profits rose to SwFr 10.8m ($4.2m) last year, an increase of almost 70 per cent.

Group sales were little changed, just 1½ per cent higher at SwFr 424m. But trading margins improved strongly, largely as a result of loss recovery.

The company plans to split its bearer shares of SwFr 600 nominal value into two registered shares of SwFr 100 each and one bearer share of SwFr 400 face value. It also proposes to raise SwFr 5m by the issue of new bearer shares at par.

Earlier this month, Hero disclosed that it would do "everything in its power" to fight against any unfriendly takeovers. It had been reported that a London bank, acting on behalf of a Saudi buyer, had purchased at least 25 per cent of the company's capital.

At a Press conference yesterday, Hero said it had not been able to determine that any such purchase had taken place. Nor was it known whether any buying of Hero sales on the stock market had been on behalf of foreign interests.

Business in the first three months of 1985 had been up to expectations. While Dutch business had been "less good," the Swiss activities were running well.

Nutricia steps up payout

NUTRICIA, the Dutch dairy and foods group which owns Cow and Gate of the UK, reports higher profits for 1984 and plans to lift its dividend from Fl 3.80 a share to Fl 4, writes our Financial Staff.

Turnover improved by 5 per cent to Fl 600m ($172m) and net profits rose to Fl 28.1m from Fl 22.3m, thanks partly to a lower tax charge. Pre-tax profits were Fl 41.7m, against Fl 38.3m.

Gross capital spending during the year dipped to Fl 31.6m from the Fl 38.3m of 1983. The company acquired Cow and Gate from the Unigate group in 1981.

KBB stages sharp recovery in earnings

By Laura Raun in Amsterdam

KBB, the Dutch retailing group, continued its dramatic recovery last year with a Fl 34.5m ($10m) profit compared with Fl 700,000 the previous year.

Concentration on core activities, financial restructuring and cost control have sharply reversed losses in 1981 and 1982. Despite KBB's sale of its Perry sports chain and Mobell home-furnishing showrooms last year, the company said it managed to retain its share of the Dutch retail market.

Sales edged up 1 per cent to Fl 3.54bn. Maxway, the U.S. household-goods chain of stores, posted satisfactory sales. KBB had at one time considered selling Maxway as part of its slimming-down operations.

KBB says earnings will continue to climb as a result of ongoing restructuring measures and other commercial efforts.

Perrier lifts profits by 11% to FFr 197m

By Our Euromarkets Staff

PERRIER, the French mineral water group, reports steady profits progress for the year ended September, 1984 after two years of very rapid advance.

Net profits for last year rose by 11 per cent to FFr 196.6m ($21m). In the previous year, Perrier turned in profits growth of almost 50 per cent to outdistance the 39 per cent gains of 1981-82.

Perrier claims to control something like half the world mineral water market. Last autumn it made a FFr 363m bid for rival French group, Sellier which markets mineral water under the Volvic label.

The company, which faithfully keeps to a policy of never disclosing sales figures, raised funds last year through the London stock market. It placed a number of shares, said to be close to 7 per cent of group capital, with London institutions for a total of £22m ($27m).

UK COMPANY NEWS

Slough soars to a record £34.7m

SLOUGH ESTATES, the fourth largest property company in Britain and the biggest specialising in industrial property, raised its profits before tax from £20.19m to a record £34.69m in 1984.

Furthermore Mr Nigel Mobbs, the chairman, tells shareholders that despite recent increases in interest rates "there are still strong signs of continued business confidence which will be converted into demand for good property to house new production methods and technology."

He says the group has the capacity and the land in the right locations to accommodate these businesses and adds that following the £40m debenture issue last year it also has the financial strength to meet this improving demand for the future.

In all, the directors look forward to 1985 with confidence for "another year of growth in profits."

Meanwhile, they are lifting the dividend for the past year from 4p to 4.8p. Earnings per 25p share improved by 34 per cent to 10.23p (7.64p). It is pointed out that dividend increases for the past four years represent an increase in shareholders' income of 116 per cent compared with a rise of 29 per cent in retail prices.

Group turnover, rental income and sales for 1984 advanced from £60.23m to £86.82m and generated a gross profit of £57.98m, compared with £36.74m. UK rental income increased from £29.12m to £46.68m and overseas rental income from £12.42m to £16.53m.

Pre-tax profits were struck after deducting administration expenses of £4.69m (£3.4m) and net interest payable of £18.33m (£13.66m). Included was a £723,000 (£507,000) share of associates' profits and a 12 months' contribution from Allnatt London Properties. Pre-acquisition profits amounted to £1.1m.

Tax for the year accounted for £8.54m (£5.7m) and minorities for £540,000 (£246,000). Attributable profits moved ahead from £14.34m to £24.51m. The effective tax charge of 24 per cent compared with 1983's 28 per cent.

The group made strong progress over the first six months of 1984, lifting its pre-tax profits for the period by some £6m to £15.1m, including contributions from Allnatt and the Guildhall Property Co. Mr Mobbs was confident about the full year results.

Mr Mobbs says the highlights of 1984 included the acquisition and integration of the Allnatt Group, the expansion of the group's activities on the redevelopment of existing land and the acquisition and development of new land holdings in the UK and overseas.

Other highlights were the assembly of an initial portfolio of trading projects, the reduction of vacancies across the group from a rate of 9.7 per cent in 1983 to 8.2 per cent in 1984, the completion of the first phase of development of the Silverwater estate in Sydney the construction of the 122,000 sq ft office building in Markham, Toronto, and the construction of 280,000 sq ft of high tech space in the U.S. and the purchase of the group's first development site in South-East Florida.

An external valuation of Slough's investment property was made at September 30, 1984 on an open market basis.

The gross book value of group investment properties and associates as at December 31, taking into account the valuation, subsequent additions at cost and exchange rate movements, amounted to £731m. After allowing for the acquisition of the Allnatt properties, surpluses of £16m were registered in the UK and £30.5m overseas, including a "favourable" balance of £26m currency translation.

Net equity assets per share at end-December amounted to 208p (189p) or 198p (179p) diluted. The net worth of the group exceeded £500m for the first time.

See Lex

Consolidation to follow Rotaflex 68% rise

DESPITE SHARPLY increased losses from associate companies, Rotaflex lifted pre-tax profits by nearly 68 per cent in 1984, and the directors consider that the group has "never been better placed to face the future, but say that the current year will be one of consolidation.

The result was £2.7m against £1.65m, and included an associates' deficit nearly £500,000 higher at £626,000. There was a slight improvement in the associates' performance towards the end of the year, after a "very slow start," say the directors.

Also revealed with the preliminary statement was a below-the-line debit of £285,000 as an adjustment in respect of 1983.

The final dividend is increased by 1p to 3.3p per share for a total of 4.5p (3.2p), with earnings per share stated at 16.8p (11p net and 8.4p after prior year adjustment).

Turnover of the group—it manufactures electric light fittings and systems — moved ahead from £30.54m to £41.43m. In the course of the year it acquired Le Dauphin in France and Falks Electrical (SA) Proprietary in South Africa, and the directors cite the time and cost of restructuring these as examples of the imponderables the group faces. They have every confidence, however, that these and other new investments will contribute positively in due course.

The current year must be viewed, they say, as one of consolidation "following the huge growth and profitability" of the past two years, and the financial impact of acquisitions. But they will continue their efforts to improve profitability and to promote growth by investing in traditional and in new, complementary businesses.

Operating profit came out at £4.23m after operating expenses of £12.52m (£10.28m) but before interest payable at £944,000 (£603,000) and amounts written off investment at £110,000 (£35,000). Investment income added £105,000 (£48,000).

The tax charge was £801,000 (£306,000), and there were extraordinary debits of £132,000 (£76,000), with a debit of £285,000 last time as a prior year adjustment. Minorities accounted for £29,000 (nil).

Reviewing the year's performance, the directors say that Concord lighting performed exceptionally well, and continues to grow steadily. Rotaflex Home Lighting and Linolite made progress and Belco operated as well as expected in a "very depressed market."

Results from overseas companies showed an improvement across the board, they say, with Luminance in Holland and Concord Lighting in Australia producing "outstanding results." Rotalux, the company's Belgian subsidiary, returned to profitability and in February this year began marketing and distributing Concord products in Belgium as well as its own products.

The group has formed a joint company with TBL, fibre optics specialists, in the manufacture of fibre optics with the intention of exploiting the opportunities for lighting primarily in the commercial and residential markets.

In this operation TBL will provide the technology and the supply of fibre optics, and Rotaflex will contribute the design and marketing skills and responsibility for distribution.

● comment

So far it looks so good, but investors should watch out for the current year. Two of Rotaflex's important UK manufacturing plants are moving to new premises and the disruption will upset the 1985 performance. But the main domestic operations do not have to achieve much to keep the group heading the right way. There should be a sharp reduction in the amount of associate losses this year with at least two of the three UK businesses heading towards break-even or perhaps a profit. Also the £110,000 write-off on investments (again associates) will not be repeated in '85. So the pre-tax line this year could rise by around £400,000 before the core operation lifts a finger—on that basis anything less than £3¼m would look disappointing. The prospective p/e is then 9 at 180p, down 8p yesterday, which can only be viewed as attractive if this year's slowdown in growth turns out to be a one-year aberration. Also, putting a £285,000 debit below the line into the 1983 figures for prior year adjustments (unexplained but not there a year ago) wins few awards for presentation.

Town Centre improvement

Town Centre Securities, property investment company, raised pre-tax profits from £1m to £1.1m in the half year to December 31 1984 and Mr Arnold Ziff, chairman, anticipates that growth will continue on a steady basis as in the past.

There is an interim dividend this time of 0.4p net. Last year, a single payment equivalent to 0.89p was made on £2.4m taxable profits.

After tax of £496,000 (£502,000) and minorities, first-half attributable profits were ahead from £498,000 to £601,000. Earnings per 25p share are stated 0.11p higher at 0.66p.

Gross revenue climbed from £2.45m to £3.42m and revenue before interest came out at £2.09m, against £1.87m.

Spirax Sarco rises to over £14m

REFLECTING THE full benefit of its North American acquisitions, Spirax-Sarco Engineering lifted pre-tax profits from £10.99m to £14.22m in 1984, on increased turnover of £83.19m, against £59.18m. A higher final dividend of 4.8p raises the net total by 1.1p to 6.8p and a one-for-two scrip issue is also proposed.

This time, the company's figures have received the benefit of translation of overseas results at generally lower sterling exchange rates against major currencies, especially the U.S. dollar.

The board reports that despite the recently reported slowing down in the growth of the U.S. economy, the group's order levels in the first two months of 1985 have shown, in real terms, an improvement over the same period last year.

Group trading profits in 1984 advanced from £10.12m to £13.83m, of which North American acquisitions contributed £4.73m (£2.07m). The figures included a full year's operations from the U.S. and Canadian acquisitions, against eight and five months respectively last time. Other overseas operations added £4.87m (£3.41m) and the UK accounted for £4.25m (£4.65m).

● comment

Spirax-Sarco's finals proved good enough, £½m more than expected, to take the shares back up to their 1984-85 high of 276p. The payout total of 6.8p means that the yield is a low 3.5 per cent but the company continues to enjoy a premium rating from the time it proved to be a safe haven when much of engineering was in difficulties. Profits are, however, highly sensitive to exchange rate movements, the stronger the pound, the worse for the group. A good part of the one-fifth increase in North American turnover this time was due to the translation gain. In the UK, Drayton Controls had a mixed year with the effects of VAT changes in the Budget coming through to cause a much slower concluding quarter. Domestic profits as a result were down a little on the 1983 result. For 1985 the company says that the order book looks generally higher and it plans to concentrate on improving marketing and completing the absorption of the U.S. unit. Analysts are looking for pre-tax profits in excess of £16m for 1985, a prospective multiple of 13 assuming a 38 per cent tax rate.

Queens Moat calls for £25m to cut borrowings

Queens Moat Houses, the hotel and restaurant group, is asking shareholders to help cut its bank borrowings with a £25m one-for-seven rights issue of convertible preference shares.

The company also yesterday announced a 47 per cent increase in pre-tax profits for 1984 of £6.58m and said that forward bookings indicated that 1985 would be an excellent year.

Mr John Bairstow, the chairman, said that the group was raising long-term funds from shareholders to refinance its recent investments, including £27m spent on 10 hotel acquisitions since the last rights issue in May 1983.

Queens Moat did not want to be at the mercy of volatile interest rates, and the rights issue would provide a stable platform for further growth, including more acquisitions, he said.

After the rights issue, the borrowings of the group, which has about 60 hotels largely catering for commercial travellers outside London, will fall from £51.1m to £26.1m, reducing the ratio between net debt and shareholders' funds from 70 per cent to 27 per cent.

Shareholders are being offered one £1 7 per cent convertible cumulative redeemable preference share for every seven ordinary shares. The shares are convertible between 1988 and 2000 at an effective price of 66p, compared with yesterday's close of 57p, down ½p.

Acquisitions helped raise turnover in 1984 to £59.2m (£43.4m). Increased pre-tax profits were struck after rent payments of £1.1m (£947,000) and interest £4.5m (£2.9m). Tax was £350,000 (£632,000).

The final dividend is 0.665p, making 1.33p, an increase of 20 per cent adjusting for a scrip issue last June. Earnings per share are 4.03p (2.96p adjusted), or 3.62p (2.66p adjusted) diluted to allow for convertible loan stock.

● comment

It makes much sense for Queens Moat to refinance its hotel portfolio in this way and at this time. With little prospect of substantial cuts in interest rates this year at least, the group is wise to raise money at 7 per cent net to reduce the bank borrowings funded at 14 per cent and more, given the low tax charge. The savings will amount to perhaps £1.2m this year and over £1.7m in a full year. With this in the bank, pre-tax profits could rise to £10m this year. Shareholders may, however, see some dilution in earnings — assuming a 20 per cent tax charge and adjusting for the new convertible preference shares, earnings per share could fall slightly from this year's 3.6p to perhaps 3.3p. This is an acceptable price to pay for putting the group in better financial shape for the expansion to which it remains committed. Moreover, the 10 per cent yield, against 3.3 per cent on the ordinary, coupled to the prospect of conversion at 66p at the end of the day, is an attractive inducement.

Alida profits and dividend beat prospectus forecast

Alida Holdings, the polythene packaging company which joined the USM last October, made over £700,000 in the second half of 1984. This meant full year pre-tax figures climbed from £886,000 to a record £1.25m, as against a prospectus forecast of not less than £1.1m.

As a result of the improved performance, the board is recommending a final dividend of 0.25 higher than forecast at 2.5p per 25p share for 1984. Earnings per share are stated up from 13.3p to 16.8p.

Mr Rex Stone, the chairman, says the current year has started very well, with record production volumes being achieved in the film manufacturing division in the first quarter. Profitability has considerably improved in the first three months of the year.

Historically, the second quarter of the year is quieter due to seasonal influences, but the board expects half year profits to be appreciably higher than last year's £541,000.

Raw material prices have risen sharply in the first part of the year after a *prolonged fall in* 1984, Mr Stone says "such price volatility in either direction is unsettling for our industry but we are confident of our ability to contend with these problems."

The company expects to gain further benefits from its increased investment in plant, particularly in the second six months when most items will be in use.

The board expects 1985 will be another very good year.

Turnover for 1984 increased from £22.15m to £25.45m. After tax of £542,000 (£351,000) and minorities £3,000 (nil), the attributable surplus was ahead at £704,000, against £535,000 last time. The dividend absorbs £125,000.

The company is in a healthy position to continue its significant capital investment plans in the current year, the chairman reports.

Alida's operating subsidiaries all traded profitably in the year. The list of active customers continues to grow and the pattern of sales reflects the company's policy of expanding business with national food retailing groups and the food packaging industry.

The last 18 months has seen capital expenditure rise above £2m, with £1.5m being spent in 1984. In 1985 the company anticipates spending about £2m on new plant.

The chairman says this will place the group in the forefront of technology in its industry and ideally equipped to continue the development of its manufacturing capabilities.

In addition to polythene packaging, the group has interests in plastic reclamation and *merchanting*.

Squirrel Horn

Pre-tax losses of Squirrel Horn, confectionery maker, more than doubled from £128,000 to £284,000 in 1984, on unchanged turnover of £6.19m. Losses per 12½p share increased from 0.2p to 5.85p and there is no dividend (0.75).

All costs relating to the closure of the Anderson and Woodthorpe subsidiary are included in the figures.

Walker and Homer shows slight rise

With a slight rise in midway taxable profits, Walker and Homer Group has decided to pay a small interim dividend—0.2p per share—for the first time in seven years. This follows the resumption of dividends last year with a 0.5p final.

The result for the six months to January 31 1985 was a rise from £293,416 to £302,191, and the directors consider that this has confirmed the success of the rationalisation programme, undertaken last year, in that *it was achieved on slightly reduced sales* at £12.15m (£13.07m).

The group is a furniture manufacturer, based in South Wales. The miners' strike severely affected its performance in the last full period, when taxable profits fell from £588,784 to £455,492. The Llantrisant plant was closed and its operation transferred to Rhymney during the year.

Trading conditions remain difficult, say the directors, with continuing pressure on margins, especially from the uncertain value of sterling. Historically the second half is the more seasonally depressed trading period, "making forecasting extremely difficult in today's economic climate."

Earnings per share are quoted at 1.41p against 1.38p for the six months.

UK COMPANY NEWS

Watts Blake tops £4m and pays 4.9p

TAXABLE PROFITS moved ahead from £3.63m to £4.26m at **Watts Blake Bearne & Co** in 1984, and the directors are to recommend a 0.65p increase in the final dividend to 3.25p per share. This brings the total to 4.9p against 4.1p. The directors propose a one-for-five scrip issue.

The group, which produces ball and china clays in Devon and West Germany, saw turnover increase from £24.98m to £27.75m due mainly to a £2.54m rise in sales from exports and overseas trading. These accounted for £20.66m of sales, with the home side providing £7.09m (£6.86m).

Mr C. D. Pike, the chairman, says that in the light of anticipated changes in market demand, the opportunity has been taken to reappraise the group's management structure, marketing strategy and production cost analyses. This, and the redefining of executive functions, will contribute to the continued upward trend in profitability.

Photo-Me 45% boost helped by exchange rates

A lift of 45 per cent to £3.2m has been shown in pre-tax profits at **Photo-Me International** for the first six months to the end of October 1984. Current returns indicate that second half results will be at least comparable to those of last year, say the directors. In the last full year pre-tax profits came to £4.51m.

They say that the first half trading profits were helped by containing expenses and by the weakness of sterling.

Turnover of this maker of automatic coin-operated photographic vending machines rose from £20.1m to £25.02m.

The interim dividend has been held at 3.15p and a one-for-six scrip has also been announced. In the last full year a total of 9.45p was paid. Earnings are shown as 55.56p (36.23p) per share.

Charles Batchelor on Oceonics need for outside backing

Searching for a marriage partner

Oceonics is a company which has grown used to riding the waves. Its electronic equipment has been buffeted by the oceans of the world on survey vessels and offshore oil rigs.

Closer to home its share price has ebbed and flowed with strong tides of investor sentiment since it first moved to a public quote three years ago.

Now, Oceonics' founder and chairman, 37-year-old Mr Bob Aird, and Mr Nigel Allen, his chief executive and partner since 1977, have decided that a safer haven is needed—for the share price at least.

Oceonics is taking the unusual route—for a British company—of putting itself up for public sale to a suitable backer with sufficient financial resources to fund its ambitious investment programme.

The group has appointed S. G. Warburg, the UK merchant bank, and Goldman Sachs International, the U.S. investment bank, to find a marriage partner—either in the UK or abroad.

"We don't want to be gobbled up and lose our identity," said Mr Aird. "But we are looking for a company with the financial, and possibly also the technical resources, to back us."

Why should Oceonics, once the darling of the Unlisted Securities Market, need to call in outside backing? And why should it choose such a radical way of going about it?

Oceonics' main problem has been poor trading conditions experienced by one of its main customers, the offshore oil and gas industry, over the past two years.

At Oceonics profits dropped sharply in 1983-84 and there was very little improvement in the year just ended. Pre-tax profits fell from £5.4m in 1982-83 (from £6m when profits are adjusted for later acquisitions) to £3.23m in 1983-84. Analysts expect the year ended March 31 1985 to show only a small improvement to £3.5m, compared with earlier hopes of £4.8m.

Against a background of tough trading conditions and fierce competition Oceonics has continued to invest large sums in its "traditional" area of marine electronics and increasing amounts in the relatively new area of defence electronics.

From its origins as a broker of electronic equipment to the offshore industries Oceonics has grown into a major manufacturer and supplier of equipment and systems to the defence, communications, mining and civil engineering industries as well as the offshore oil and gas and marine sectors. It employs 1,500 people in 20 countries around the world.

Mr Aird cites suspension systems for battle tanks as a

Mr Bob Aird, chairman of Oceonics

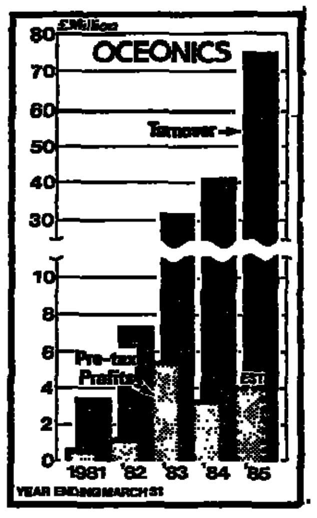
potentially large growth area. Oceonics has spent three years and millions of pounds developing a new suspension for the Challenger tank.

The chairman estimates that the worldwide replacement market alone for tank suspensions will be worth hundreds of millions of pounds over the next few years. Oceonics believes it has a five-year lead over the competition but it faces difficult and expensive decisions on how best to develop it further and market it.

Continued spending on the acquisition of small high-technology companies has placed a strain on Oceonic's balance sheet, pushing the gearing to 70 per cent or more.

Ironically, one of the group's most successful purchases has increased the pressure. In March 1984 Oceonics bought Comap, a loss-making company based in Houston, Texas and engaged in geophysical offshore surveys. Oceonics paid £9,000 down and agreed to make a deferred payment based on profits.

The U.S. market picked up; Comap moved promptly into the black and Oceonics was faced with paying a purchase price of £20m in 1987. It has now renegotiated this deal and will pay £4.2m cash and about £6m in shares, equivalent to 15 per cent of its enlarged equity. Comap has



done so well it accounted for more than one-third of all Oceonics' profits in the year just ended.

But on a worldwide basis Mr Aird sees no short-term improvement in the oil and gas services market.

"We are a long way short of getting the sort of return which would be possible in normal market conditions," Mr Aird said. "We should have been capable of making a 10 per cent net profit on last year's turnover of £75m."

But why opt to put up for sale the venture he founded in 1975 on "a couple of hundred quid" borrowed from his father and built into a company now valued on the stock market at £35m?

The poor profit prospects for the next year or so would have meant a conventional share placing or rights issue could not have been carried out at an attractive price. Nor could it have raised the sums of money Mr Aird now believes he needs.

The most recent fund raising exercise by Oceonics was an £8m share placing which coincided with the company's move from the Unlisted Securities Market to a full Stock Exchange listing in August 1983. Oceonics will need even larger sums over the next few years.

A rights issue would be impossible without diluting the 53 per cent holding in Oceonics which is still retained by Mr Aird and Mr Allen.

So what the two men propose is exchanging their existing shareholding in Oceonics for a stake in a new parent company which would allow its new partner a large degree of autonomy.

They have chosen to make a public declaration that they are up for sale rati|er than negotiate a private deal behind closed doors.

There are a number of parallels between the Oceonics plan and the sale of Hoveringham Group, a listed aggregates company, in October 1981. Hoveringham went to Tarmac for £40m after the Needler family, who held 79 per cent of the voting stock, announced they had decided to diversify their investments.

Hoveringham was sold to the highest bidder but the Oceonics board is keen to find a compatible company with which it can live rather than simply the most generous.

Which companies would fit Oceonics' bill? The electronics and offshore industries are the obvious areas though a cash-rich partner from a completely different field might fit.

With a growing part of Oceonics' business based in the U.S. a partner with existing U.S. operations would be particularly welcome.

Whoever bids must be expected to come up with between £35m, the current market price, and £75m, the 1984-85 turnover figure. As a rough guide a buyer could have been expected to pay £1 for every £1 of turnover but Oceonic's limited profit outlook makes this unlikely.

The revised profit expectation wiped 25p off Oceonics' share price yesterday reducing the shares to 115p.

There are risks attached to this strategy. If no suitor emerges Oceonics may find itself becalmed in a backwater.

It might then wish it had stuck to the open sea—squalls and all.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alida	2.5	May 21	—	2.5	—
Richard Clay	2.45	—	2.2	3.75	3.5
Kleinwort Benson Gilt	31	March 31	29.7	120.9	120.8
Lond. & Edinburgh	3.75	—	3	6.25	3
Photo-Me int.	3.15	April 30	3.15	—	9.45
Planet Group	1.75	July 1	1.75	2.75	2.75
Queens Moat	0.67	—	0.55*	1.33	1.11*
Rotaflex	3.3	July 5	2.3	4.5	3.2
Slough Estates	3	May 28	2.48	4.8	4
Spirax-Sarco	4.8	May 16	4	6.8	5.7
E. T. Sutherlands‡	2	May 31	—	3.33	—
Town Centre int.	0.4	July 1	Nil	—	0.89*
Walker and Homer int.	0.2	—	Nil	—	0.5
Watts, Blake	3.25	July 1	2.6	4.9	4.1

Dividends shown pence per share net except where otherwise state.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Arenson, Floyd Oil Participations, Logica, New Court Trust, Steaua Romana, Tyzack Turner.

Finals:—Alexandra Workwear, Arcolectric, BSG International, Brammer, Christies International, Coates Brothers, Consultants (Computer and Financial), Eastern Produce, Empire Stores (Bradford), Evered, Johnston Group, Keep Trust, Kleinwort Benson Sterling Asset Fund, Lambert Howarth, Macfarlane (Clansman), Stanley Miller, Parambe, Pearson, Stag Furniture, Stewart Wrightson, Television Services International, Wilson (Connolly), Arthur Wood (Longport).

FUTURE DATES

Interims:—

Aberdeen Trust	Apr 18
Fitzwilton	Apr 4
Young (H.)	Apr 10

Finals:—

Baird (William)	Apr 11
Brixton Estate	Apr 17
Centreway Industries	Apr 4
Centreway Trust	Apr 12
Erith	Apr 10
Fothergill and Harvey	Apr 11
Hewden-Stuart Plant	Apr 11
Inchcape	May 2
Liberty	May 10
Porter Chadburn	Apr 3
Raybeck	Apr 30
Riley Leisure	Apr 11
Sharna Ware	Apr 4
Solex	Apr 4
Steel Burrill Jones	Apr 10

UK COMPANY NEWS

Luxembourg loss hits Planet but firm start to this year

BADLY AFFECTED by a heavy loss in Luxembourg, Planet Group, maker of windows and doors, suffered a fall in pre-tax profits from £1.75m to £918,000 in 1984. Performance to date however, indicates that the group has made a firm start to 1985.

As recently announced, negotiations for the sale of the Lexembourg company, Planet SA, to Resart-IHM of Germany are at an advanced stage. It is currently anticipated that, subject to shareholders' approval, the sale will be completed by the end of April, 1985.

Planet SA losses totalled £919,000 pre-tax including an exceptional charge, before tax. Its losses were aggravated by the need to implement two major rationalisation and redundancy programmes during the year.

In view of the better start to 1985 and in anticipation that profits this year will no longer be burdened by losses in Luxembourg, the directors are maintaining the final dividend at 1.75p net for a same-again total of 2.75p per 10p share.

Turnover for the year improved from £38.53m to £42.35m. Pre-tax results were struck after interest payments of £392,000 (£429,000) and exceptional charges this time of £303,000. The exceptional items related to redundancy and reorganisation costs at Plantet SA, together with relocation costs of Creation Windows of Georgia.

After a "disproportionately high" level of tax at £1.2m (£1.11m) and net extraordinary debits of £132,000 (245,000), there was an attributable deficit of £410,000, against a profit of 393,000. Losses per share were shown at 2.8p (6.4p earnings).

UK operating profits more than doubled to £317,000 (£154,000), while losses from Europe (excluding UK) increased to £661,000 (£179,000). The U.S. performance was little changed at £1.96m (£2.2m).

The strength of the U.S. dollar was the main reason for a currency gain at December 31, 1984, amounting to £627,000, which has been credited to reserves.

The Creation Windows' companies performed well during the year with strong growth in sales.

Planet Windows (Architectural) and Planet Windows (Glenrothes) both performed very well. Percy Lane made significant progress in reducing its losses

● comment

Europe has been going "off" the caravan since demand peaked in 1977 and Planet, a component supplier of windows to that industry, has suffered as a result. In the U.S., however, the mobile home and recreational vehicle sector continues to grow even if group margins have shrunk by a third and the take by the American tax authorities remains high at a 53 per cent rate. Price Waterhouse's plans (announced at the interim stage) to moderate tax charges appear to have been largely cosmetic in effect to date. However, what is really holding the company in a decaying orbit is its Luxembourg operation) (losses of over £1m in 1984). A buyers has now been found and a sale at around £1m is expected soon. A provision of £337,000 in the accounts represents the loss on book value of this unit if it goes at the present price level. With the cash from the Luxembourg sale plus a further £300,000 from other smaller disposals so far this year, and a share price of 80p, significantly up from recent lows, the group will be looking for a UK acquisition to enable it to cover its ACT liability and diversify further in the building industry.

Richard Clay hit by Singapore closure

GROWTH shown in the first half at Richard Clay did not continue at the same pace in the second, although pre-tax profits still increased from £1.11m to £1.29m for 1984.

At the halfway stage pre-tax profits rose from £521,000 to £642,000.

Commenting on the full year the directors say that results were depressed by a worsened performance from the Singapore factory, which was closed at the year end.

This has led to a "significant" extraordinary charge of £1.39m this time. Agreements have been concluded for the sale of the factory and plant in Singapore. After the charge and dividends there was a transfer from reserves of £951,000—last time £374,000 was transferred to reserves.

However in view of an "encouraging improvement" in continuing businesses, they say a modest increase in the dividend is justified. A final of 2.45p, against 2.2p previously, lifts the total from 3.5p to 3.75p. Earnings per share are shown as increasing from 7.67p to 8.52p.

Turnover of this book printer and binder moved ahead from £19.74m to £22.32m.

Investment in cost effective equipment was accelerated in response to specific market opportunities, say the directors, particularly as regards exports. Offset printing capacity was expanded and updated and a new cased bookbinding production line was also installed.

The directors remain committed to a policy of decentralised manufacture. This will be accelerated by a recently announced joint venture with the China National Printing Corporation and China International Trust & Investment Corporation. The joint company will make books to high volume in Beijing and trade under the name of The Sino-British Printing Company.

Pre-tax profits were struck after distribution costs of £453,000 (£477,000) and administration expenses of £3.29m (£3.27m). Other operating income of £63,000 (£43,000) was included, but interest costs took £181,000 (£156,000) and there were exceptional debits of £63,000 this time. Last time there were redundancy costs of £210,000, and other income fell from £134,000 to £117,000.

Tax amounted to £515,000 (£419,000).

Sutherland little changed but strong progress expected

ALTHOUGH profits of USM company E. T. Sutherland and Son showed little change during 1984 the directors expect growth in the current year.

Development costs will continue to impinge first half margins but "strong progress" is looked for in the second six months as the benefits of the ending of the miners' strike and returns on the group's recent capital investment and product development begin to emerge.

Pre-tax profits for the year to December 29, 1984 fell slightly from £1.58m to £1.49m, but as promised in the April prospectus, shareholders will receive a final dividend of 2p making a 3.33p net total.

In a difficult year, aggravated by the miners' strike, the Sheffield-based chilled and canned foods group managed a small increase in sales although some loss of volume in the second half, raw material cost pressures during the final quarter and costs incurred by the continuing development programme led to a reduction in operating margins.

Turnover for the 12 months pushed ahead marginally to £20.74m. Growth in sales volumes in certain areas was interrupted by the miners' strike.

Group interest charges were reduced from £39,000 to £20,000 but tax took slightly more at £647,000 (£637,000).

Available profits came through at £843,000 (£1.37m including an extraordinary credit of £430,000) and earnings per 25p share at 5.8p (6.7p).

Mr Peter Sutherland, the chairman, says the group now has an increasingly efficient manufacturing facility with an enhanced production capacity. Capital expenditure during the year amounted to £1.3m

Financial services boost for London & Edinburgh

London and Edinburgh Trust, the property group which is diversifying into insurance and financial services, increased taxable profits by 53 per cent in 1984. The directors say that the financial services division made a "significant contribution" to the result.

Profit before tax rose from £3.35m to £5.12m. The dividend is lifted from a single 3p payment last time to 6.25p, with a 3.75p final. The group gained a full listing in December 1983 via a tender offer.

Turnover totalled £33.38m against £28.13m, including a £15.45m (£13.44m) share from related companies. Operating profit came out at £5.59m against £3.7m, with a £1.11m contribution from rental income—a rise of 82 per cent on £609,000 last time.

Profits were struck after interest charges of £471,000 (£345,000), and were subject to tax of £1.17m (£653,000). A minority debit of £27,000 (nil) left the net outcome at £3.95m against £2.71m, and the dividend will account for £1.13m (£225,000).

Earnings per share are stated at 23.1p (20.9p).

Highlights of the year's performance included a substantially increased investment portfolio of £23m, and the establishment of a new U.S. subsidiary which has acquired a prime office development site in San Francisco. Several further acquisitions in the U.S. have been pursued during the year and will be announced shortly, say the directors.

COMPANY NEWS IN BRIEF

Estates and General Investments raised pre-tax profits from £1.1m to £1.27m in 1984. Earnings per 20p share were 0.2p higher at 4.3p and the final dividend is 1.55p making a total to 2.3p (2.1p) net. Net assets per share were up 11.5 per cent to 136p (122p).

* * *

Municipal Properties saw pre-tax profits fall from £367,483 to £342,460 for 1984, on turnover, being rents received, of £479,136 (£418,865). The single final dividend is lifted from 9.88p to 11p per 50p share.

After all charges, including tax of £151,977 (£181,235), attributable profit emerged higher at £190,483 (£186,248), for stated earnings of 39.35p (38.48p).

* * *

Pre-tax profits rose from £762,000 to £1.28m at James Halstead Group, floor coverings and leisure products manufacturer, in the half year to December 31 1984.

The interim dividend is raised by 0.25p to 1.5p. Stated net earnings per 10p share improved to 5.39p (3.76p). Sales moved ahead to £16.74m (£15.11m).

* * *

Pre-tax profits of USM-quoted Oilfield Inspection Services Group dived from £1.33m to £353,000 for 1984, on turnover of £15.21m (£15.68m). Stated earnings per 20p share declined from 12.4p to 2.3p and the dividend total is cut to 1p (2.65p) net — there was no interim (1.1p).

The board says, however, that early indications are that the first half of 1985 will show a significant improvement over last year's corresponding period.

* * *

The offer for sale of 14.95m ordinary shares by Blagden Industries has been approximately eight times oversubscribed by 42,340 valid applications in respect of a total of 118,467,315 shares.

On pink preferential forms 472 valid applications were received from eligible shareholders for a total of 4,453,615 shares, and have been allotted in full.

The striking price has been set at 130p per share.

* * *

Berkeley and Hay Hill Investments, USM-quoted property investment group, reduced pre-tax losses from £307,000 to £192,000 in 1984.

Losses per 10p share were 0.19p (1.1p) before extraordinary items, and there were 2.44p earnings (4.2p losses) after. There is no dividend. Net tangible assets amounted to 9.26p (6.38p) per share.

* * *

Pre-tax profits of Westminster and County Properties fell from £275,000 to £163,000 in the six months to October 31 1984.

The interim dividend is lifted to 3p (2.75p).

TAKE-OVER BIDS AND MERGERS

Last Saturday's table of take-over bids and mergers contained a number of typographical errors. We apologise to readers for these mistakes and print below corrected information for those companies affected:

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
ASR Holdings	450*	445	365	9.00	Minit Intl.
Energy Services	98	90	34	36.90	Peek Holdings
Times Veneer	20*	42	49	1.41	CDI Holdings
Trident Computr.	82½	75	70	2.06	Park Place
USM	192§§	186	159††	113.36	Norcros
Waring & Gillow	160*	148	155	24.96	Hopecastle

* All cash offer. †† At suspension. §§ Shares and cash. ** Based on March 29 1985.

UK COMPANY NEWS

MINING NEWS

Gencor finds potential gold mine at Poplar

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA's General Mining Union Corporation (Gencor) has a potential new gold mine at the Poplar project in the Leandra district of the Transvaal, close to the Afrikaner group's existing Evander area gold mines.

In the Gencor annual report, the chairman, Mr Ted Pavitt, says that the most recent investigations have indicated that Poplar is viable, "provided suitable arrangements can be made in regard to taxation and mining rights."

For some time there has been speculation that a new gold mine might be started in the area using tax offsets available to the group's existing Winkelhaak or Kinross mines. Whether such a tax move would be approved these days by the authorities, however, is a moot point.

Mr Pavitt says that if it is decided to go ahead with Poplar the newcomer would mill 90,000 tonnes of ore per month at a gold grade of 5.5 grammes per tonne. It would have a life of some 20 years and cost around R500m.

Meanwhile, Gencor is going ahead with the development of the Sao Bento gold mine in Brazil in conjunction with Brazilian partners. The cost of this venture has been put at $90m (£73m) with first production expected in early 1987.

Regarding the group's important industrial interests, Mr Pavitt warns that a further significant increase in South Africa's inflation can be expected this year. "Local trading conditions will continue to be extremely difficult in 1985 and could deteriorate further before an upturn occurs."

Even so, he expects that Gencor's earnings this year to be not less than in 1984, thanks to new projects and measures taken to avoid the disastrous losses suffered on foreign exchange last year.

Cracks hit production at RTZ copper open-pit

ORE MILLING at the Rio Tinto-Zinc group's open-pit Palabora copper mine in South Africa has been interrupted by the discovery of cracks in the shells of the two autogenous mills.

While repairs are being carried out over the next 60 days use will be made of stockpiled concentrates and it is hoped to avoid any reduction in copper output.

What is not known at this stage, however, is whether the repairs will provide a permanent solution to the problem or whether replacement shells will be needed in the longer term.

Palabora, with its low operating costs, is one of the world's most successful copper mines and helped by the weakness of the rand last year it was able to boost earnings by 76 per cent. But chairman Mr G. A. Macmillan warns in the annual report that increases in diesel fuel and electric power prices will add just over 7 per cent to operating costs this year.

No dividend rise at Vogels

The Consolidated Gold Fields group's South African base metals investment company, Vogelstruisbult Metal Holdings, expects earnings per share this year to exceed the level before write-offs recorded in 1984. However, the company does not expect the increase to be sufficient to justify a rise in the 16 cents dividend rate.

IN BRIEF

Poseidon, which derives its income from an indirect interest via the 47 per cent holding in Kalgoorlie Lake View—in the Western Australian Mount Charlotte and Fimiston gold mines reports a net profit for the first half of the year to June 30 of A$3.1m (£1.9m), or 11 cents per share, compared with A$1.55m a year ago.

* * *

Australia's Whim Creek Consolidated is paying an unchanged dividend of 5 cents (3p) for 1984. As before, shareholders have the option of receiving the dividend in cash or in the form of bonus shares which would be tax exempt.

* * *

South African gold production was lower last month at 1,830,743 oz compared with 1,840,628 oz in January, according to figures issued by the Chamber of Mines. The resultant total for the first two months of the year thus amounts to 2,671,571 oz compared with 3,548,628 oz in the same period of 1984.

* * *

Record earnings for 1984 are reported by the U.S. Nord Resources from its rutile and kaolin operations in Sierra Leone and the U.S. Net profits amounted to $7.69m (£6.55m), or $1.50 per share, against $2.16m in 1983. The company forecasts earnings of about 50 cents per share for the first quarter of this year.

* * *

Duval Mining (Australia), a subsidiary of the U.S. Pennzoil group, shortly is to resume exploration at its Pajingo gold prospect in northern Queensland. Shallow drilling has already intersected gold values ranging from 7.8 grammes per ton up to a rich 1,575 grammes, or 50 ounces.

* * *

The Anglovaal group's Associated Manganese Mines of South Africa, which operates in the northern Cape, has lifted 1984 net profits to R22.7m (£10m) from R5.9m in 1983. A final dividend of 200 cents (88p) brings the 1984 total to 350 cents against 240 cents.

Kleinwort Gilt

Net revenue at Kleinwort Benson Gilt Fund increased from £1.48m to £1.98m for the three months to the end of March 1985, against the comparable period ending April 4 1984. A final dividend of 31.01p, compared with 29.69, raises the total from 120.84p to 120.89p. Net asset value per participating share is shown at £11.26p against £11.72p.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI

E.N.I.

(National Hydrocarbons Authority)

6¾% Sinking Fund Debentures due November 1, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on May 1, 1985 at the principal amount thereof $450,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. $1,000 Each of Prefix "M" Bearing Serial Numbers *Ending in the Following Two Digits:*

31 49 51 64 81

Also Debentures of U.S. $1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

85	685	1085	2185	3485	4185	4585	6385	9585	11285	12585	14485	18485
285	785	1185	2985	3585	4285	5685	6985	9985	11785	12685	14685	18885
485	885	1585	3085	3685	4385	6185	7185	10585	12185	13885	14885	19285
585	985	1985	3285	4085	4485	6285	7985	10885	12485	14085	17285	19885

On May 1, 1985, there will become and be due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of **Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015**, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due May 1, 1985 should be detached and collected in the usual manner.

From and after May 1, 1985 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI
By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, *Fiscal Agent*

March 28, 1985

NOTICE

The following Debentures previously called for redemption have not yet been presented for payment:

DEBENTURES OF U.S. $1,000 EACH

M 1998	2898	4798	6798	7694	7708	9688	12698	14898	18398
2198	4298	5498	6898	7706	7729	10390	14098	17106	19798

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Deutsche Bank
Aktiengesellschaft

Frankfurt am Main

(Incorporated in the Federal Republic of Germany with limited liability)

We are convening our Ordinary General Meeting this year on Tuesday, May 14, 1985, 10.00 a.m. in the Grosser Saal of the Stadthalle Düsseldorf, Fischerstrasse 20, Düsseldorf.

Agenda

1. Presentation of the established Statement of Accounts and the Reports of the Board of Managing Directors and the Supervisory Board for the 1984 financial year
   Presentation of the Consolidated Statement of Accounts and the Report of the Group for the 1984 financial year
2. Resolution on the appropriation of profits
   The Board of Managing Directors and the Supervisory Board propose that the distributable profit of DM 352,594,824 be used to distribute a dividend of DM 12 per share of DM 50 par value.
3. Ratification of the acts of management of the Board of Managing Directors for the 1984 financial year
   The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified.
4. Ratification of the acts of management of the Supervisory Board for the 1984 financial year
   The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified.
5. Election of the auditor for the 1985 financial year
   The Supervisory Board proposes that Treuverkehr AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed auditor for the 1985 financial year.
6. Election to the Supervisory Board
   We give notice that having reached the age limit Dr. Hans Feith and Mr. Franz Heinrich Ulrich have resigned from office as members of the Supervisory Board of our Bank with effect from the end of the General Meeting.
   The Supervisory Board proposes that in their stead
   Dr. Robert Ehret and
   Dr. Wilfried Guth, both of Frankfurt am Main,
   who retire from the Board of Managing Directors of Deutsche Bank with effect from the end of the General Meeting, be elected to the Supervisory Board as shareholder representatives for the remainder of the term of office.
   The Supervisory Board also proposes that the present substitute members
   Dr. Hans Dieter Mosthaf, Stuttgart,
   Manager of Robert Bosch GmbH, and
   Dr. Hans Fritsch, Düsseldorf,
   General Manager of Mannesmann AG,
   also be elected substitute members in that order for Dr. Robert Ehret and Dr. Wilfried Guth.
   According to §§ 96 (1), 101 (1) of the Joint Stock Corporation Act and § 7 (1) sentence 1 No. 3 of the Employee Co-determination Act of May 4, 1976, the Supervisory Board consists of ten members representing the shareholders and ten members representing the employees. In electing the shareholder representatives, the *General Meeting* is not bound by election proposals.
7. Authorization to issue bonds with stock warrants, to create conditional capital and to amend the Articles of Association
   The Board of Managing Directors and the Supervisory Board propose that the following resolutions be passed:
   a) In connection with the issue of bonds with stock warrants by directly or indirectly wholly-owned foreign subsidiaries of Deutsche Bank Aktiengesellschaft, the Board of Managing Directors be *authorized up to April 30, 1990 to grant option rights*, having a maximum lifetime of 12 years, to subscribe for shares of Deutsche Bank Aktiengesellschaft. The pre-emptive right of the shareholders of Deutsche Bank Aktiengesellschaft is excluded.
   The bonds with stock warrants may be issued – also in partial amounts – in an aggregate nominal amount of up to US$ 300 m. or the equivalent (calculated at the official middle rate on the Frankfurt Foreign Exchange Market on the day of the resolution to issue the bonds with stock warrants) in another legal, officially quoted currency of an OECD country or in European Currency Units (ECU).
   The subscription price shall not be lower than the average of the officially determined quotations for shares of Deutsche Bank Aktiengesellschaft on the Frankfurt Stock Exchange on the ten stock exchange trading days preceding the resolution to issue the bonds with stock warrants.
   The subscription price shall be adjusted pursuant to an anti-dilution clause if, during the lifetime of the bonds with stock warrants, *Deutsche Bank Aktiengesellschaft either increases its capital* or creates conversion or option rights, granting a pre-emptive right to its shareholders, and no pre-emptive right is granted to the holders of the stock warrants. § 9 (1) Joint Stock Corporation Act applies notwithstanding.
   The bonds with stock warrants shall be to bearer. The bearer warrants attached to each bond will entitle the holder, in accordance with the Conditions of Warrants, to subscribe for shares of Deutsche Bank Aktiengesellschaft in the nominal amount of DM 50 each. The nominal amount of the shares that may be subscribed in respect of each bond with stock warrants shall not exceed 20% of the DM or DM-equivalent nominal amount of the bond: the total nominal amount of the shares which can be subscribed for is *restricted to DM 150,000,000.*
   The Board of Managing Directors, in agreement with the competent bodies of the foreign subsidiaries which issue the bonds, be authorized to determine all further details relating to the issue and to the terms and conditions of the bonds with stock warrants.
   b) The share capital of the Company be increased conditionally by up to DM 150,000,000 through the issue of up to 3,000,000 bearer *shares in the nominal amount of DM 50 each in order to grant option* rights, in accordance with the Conditions of Warrants, to the holders of the stock warrants attached at the time of issue to the bonds. The shares be issued at the subscription price determined in accordance with a). The conditional capital increase be effected only to the extent that bonds with stock warrants are issued and holders of the stock warrants exercise their rights to subscribe for the shares. The new shares be entitled to participate in dividends from the beginning of the financial year in which they are issued by virtue of the exercise of the option rights.
   The Board of Managing Directors be authorized to determine the further details relating to the carrying out of the increase of conditional capital.
   c) The following new subparagraph 7 be added to § 4 of the Articles of Association:
   The share capital is increased conditionally by a further DM 150,000,000 divided into 3,000,000 bearer shares in the nominal amount of DM 50 each. The conditional capital increase shall be effected only to the extent that holders of stock warrants, attached at the time of issue to bonds issued on or before April 30, 1990 by directly or indirectly wholly-owned foreign subsidiaries of Deutsche Bank Aktiengesellschaft, exercise their option rights. The new shares shall be entitled to participate in dividends from the beginning of the financial year in which they are issued by virtue of the exercise of option rights.
   The present subparagraph 7 shall become subparagraph 8; the words "from the bonds with stock warrants mentioned in subparas. 4 and 5" contained therein shall be replaced by the words "from the bonds with stock warrants mentioned in subparas. 4, 5 and 7 and the holders of the convertible bonds mentioned in subpara. 6". The term "option rights" shall be broadened to "option or conversion *rights*".

Shareholders entitled to participate in the General Meeting and to exercise their right to vote are those who have deposited their shares during normal *office hours and in the prescribed form at a depositary bank until the end of* the General Meeting. Depositary banks are those specified in the Bundesanzeiger of the Federal Republic of Germany No. 64 of April 2, 1985.

Depositary banks in the United Kingdom are:

Deutsche Bank AG,
London Branch,
6, Bishopsgate,
London EC2P 2AT.

Midland Bank plc,
International Division, Securities Department,
Suffolk House, Laurence Pountney Hill,
London EC4.

Shares shall only be deemed deposited if they are lodged by May 7, 1985, *at the latest, with either of the aforementioned depositary banks or with any* other authorized depositaries in the United Kingdom. In the United Kingdom entrance cards or forms of proxy will be issued by the aforementioned offices of Deutsche Bank AG or Midland Bank plc to whom application should be made.

With regard to the exercise of the voting rights we wish to draw your attention to § 18 (1) of our Articles of Association:

"The voting right of each share corresponds to its nominal amount. If a shareholder owns shares in a total nominal amount exceeding 5% of the share capital, his voting rights are restricted to the number of votes carried *by shares with a total nominal amount of 5% of the share capital.* Shares held for account of a shareholder by a third person shall be added to the shares owned by such shareholder. If an enterprise is a shareholder, the shares owned by it shall include any shares which are held by another enterprise controlling, controlled by or affiliated within a group with such enterprise, or which are held by a third person for account of such enterprises."

The 5% of share capital mentioned in § 18 (1) at present corresponds to a nominal amount of DM 73,457,255 = 1,469,145 shares of DM 50 par value.

Copies of the Annual Report will be available at the aforementioned banks on *or about April 23, 1985.*

Frankfurt am Main, April 1985

The Board of Managing Directors

Planet

- Sales up 10%
- Pre-tax Profit £918,000
- Firm start to 1985

Results for the year ended 31 December 1984

	1984 £'000	1983 £'000
Turnover	42,347	38,534
Profit before tax	918	1,748
Dividend:		
Interim paid	1.00p	1.00p
Final proposed	1.75p	1.75p
Earnings per share	(2.8p)	6.4p

This statement is abridged from the audited full financial statements. The full statements with the auditors' report will be available from the Secretary at 83 Colmore Row, Birmingham, B3 2AP on 30 April 1985 and will be delivered to the Registrar of Companies following the Annual General Meeting.

Planet Group plc

ALBRIGHT & WILSON
1984 RESULTS

	1984	1983
Sales	569.4	570.2
Trading profit	41.4	41.3
Capital expenditure	35.0	24.5
Net capital employed (end of year)	267.2	223.9
Return on capital (average)	16.9%	17.9%
Number of employees (end of year)	6,300	6,300

These figures relate to the Group managed by Albright & Wilson, including companies owned directly by Tenneco.

- Following the disposal of three businesses in 1983, sales of continuing operations on a comparable basis increased in 1984 by 12% and profits increased by 14%.
- UK profits were slightly lower mainly because of the higher cost of key raw materials. Exports from the UK were £115 million, a new peak for A&W—36% of sales by UK operations.
- Overseas subsidiaries increased their sales and profits and accounted for 75% of Group profit before interest and tax.
- Tenneco Organics, part of Resins & Organics Division, gained The Queen's Award for Export Achievement.
- Capital expenditure increased in the UK and overseas, with 60% of total expenditure overseas. The main emphasis was on modernising and expanding phosphate and detergent plants in the UK and sodium chlorate and phosphorus plants in Canada.
- There were significant developments by our associated companies in S.E. Asia. A new factory was opened for sodium tripolyphosphate in Thailand and a phosphoric acid plant was commissioned in the Philippines.
- Rationalisation moves begun in 1983 were completed, with the closure of the Stratford (London) factory and transfer of main production units to Oldbury.

Copies of the Review of the Year may be obtained from Corporate Public Relations Department at the address given below.

ALBRIGHT & WILSON LTD Building on Quality
1 Knightsbridge Green, London SW1X 7QD.

Albright & Wilson is a Tenneco company

UK COMPANY NEWS

Valin Pollen in Dutch purchase

Valin Pollen International, the advertising, public relations, design and research group, is making its first overseas acquisition with the purchase of Thomas and Kleyn, a Netherlands-based agency, for up to £2.41m.

The Dutch company, with offices in Amsterdam, has a similar range of services in corporate and financial communications to VPI. But, established in 1982, it is young and smaller, with 20 staff against VPI's 150.

Last year, Thomas and Kleyn made pre-tax profits of £145,000 from operating revenues of £427,000. For 1985 it is forecasting revenues of £900,000 but the costs of new offices and new staff are expected to depress profit margins.

The initial cash payment for Thomas and Kleyn is £353,000. Other performance-related payments are to be made over the next three years, so that the total purchase price equals 5½ times the average pre-tax profits for 1985, 1986 and 1987.

Dee extends Booker offer

Dee Corporation yesterday extended its £331m bid for Booker McConnell until April 19 and said the offer would not be extended further. At Friday's first closing date, it had received acceptances covering 5.3 per cent of Booker in addition to the 15.9 per cent stake it already owns. The bid can only be increased in circumstances deemed by the Takeover Panel to be exceptional.

Quality Inns has 29.9% of PoW in Taddale sale

BY ALEXANDER NICOLL

Taddale Investments has sold its majority interest in Prince of Wales Hotels, acquired little more than a year ago. The sale increases the holding of Quality Inns, a U.S. hotel group, from 20 per cent to 29.9 per cent of Prince of Wales.

The hotel group's share price fell 12p to 100p yesterday on news of the sale of Taddale's 51 per cent stake. All but the shares taken by Quality Inns went to investing institutions in a placing understood to have been at 85p.

Taddale acquired most of its shares through a full bid, but agreed last November to a takeover of Prince of Wales by Comfort Hotels. That deal fell through because Comfort itself became the target of competing bids from Intasun Leisure and Ladbroke Group, with Ladbroke emerging victorious.

The Comfort bid valued Prince of Wales at £15m, compared with the £8.75m tag put on it by Taddale's bid in February 1984. Yesterday's closing price valued the group at £12.4m.

Mr Alan Gale, Taddale managing director, said his company had made a profit on its Prince of Wales holding, but declined to estimate it or to give the sale price.

Mr Gale said the latest deal's structure resulted principally from Quality Inns' desire to increase its holding in Prince of Wales as a major part of its operations. It manages the company's *eight* hotels, *including* the flagship Imperial Hotel in Blackpool, and is also setting up a joint venture to operate a UK/Europe/U.S. marketing and reservation network.

The venture, called Quality Inns Europe, is 80 per cent owned by the U.S. group and 20 per cent by Prince of Wales. Mr Tony Rothwell, a Quality Inns executive, is deputy chairman of Prince of Wales.

Mr Gale said Taddale, of which Sir Monty Finniston is chairman and Mr Michael Carlton deputy chairman, has no interests in the hotel business after making the sale. It has a range of investment holdings, mostly in small industrial companies.

Prince of Wales estimated that it had a pre-tax profit of £750,000 in 1984, marginally up on 1983's £724,000. Mr Bill Crossman, brought in as chairman of Prince of Wales by Taddale, said it had successfully eliminated loss-making operations and that its remaining hotels had been trading well.

Argyll sells distillery

Amalgamated Distilled Products, a subsidiary of Argyll Group, has completed the £6.9m sale to Inver House Distillers of its Loch Lomond distillery at Alexandria, Dumbartonshire, together with certain whisky stocks.

An amount of £5.8m has been received on completion and the balance will be paid in equal instalments in June 1985 and March 1986.

The sale reflects a policy decision to reduce ADP's investment in scotch whisky production. ADP retains the Littlemill and Glen Scotia distilleries and arrangements have been made with Inver House for them to continue to supply and store whisky on ADP's behalf.

Argyll's accounts for the year to March 31 1985 will include an extraordinary debit of £1.4m, represented mainly by a loss on the sale of the Loch Lomond distillery, provisions against the book values of the retained Littlemill and Glen Scotia distilleries, together with redundancy and other sale costs.

Wheway plans £1.6m disposal

Agreement has been entered into whereby Becker, a UK subsidiary of Becker Pruente of West Germany, will acquire for cash, payable on completion, a 50 per cent interest in chainmaker Wheway Watson (CM), at present a wholly-owned subsidiary of Wheway-Watson Holdings.

The complicated deal will mean Wheway receiving a total cast amount of £1.58m.

Foster Bros sells stake in associate

By Martin Dickson

Foster Brothers Clothing, the menswear chain which has agreed to a £115m takeover by Sears Holdings, one of Britain's biggest retailers, has disposed of its interests in a loss-making U.S. associate, Natco Industries, but will take on some $13.5m of its liabilities.

Foster Brothers announced last month, at the time of the Sears bid, that it intended to dispose of its 49.8 per cent stake in Natco, a menswear retailer. It has now sold it for a nominal sum to Pisers Leasing, a *privately-owned American company*.

Pisers will take on some of Natco's liabilities, but Foster Brothers has agreed to pay off liabilities which it had guaranteed totalling some $13.5m.

This is on top of £4.3m of losses from Natco up to last November, which Foster Brothers revealed at the time of the Sears bid.

The company said yesterday it would also have to write-off the balance of its investment, totalling some £3m.

At the time of the Sears bid, Foster Brothers said it would have to take a substantial extraordinary charge in the year to February 28 because of Natco's problems. This, coupled with poor UK trading and modernisation costs, would mean a £30m increase in its borrowing requirements during the 1984-85 financial year.

GrandMet plans to take 25% interest in Cinzano

BY CHARLES BATCHELOR AND ALAN FRIEDMAN

Grand Metropolitan, the brewing, hotels and leisure group, is to take a 25 per cent stake in Cinzano, the Italian drinks company under an agreement announced yesterday.

International Distillers and Vintners (IDV), GrandMet's wines and spirits subsidiary, will pay an undisclosed sum for half of the 50 per cent holding in Cinzano currently owned by Ifint, a Luxembourg-based investment company.

Ifint is controlled by the Agnelli family, which numbers the Fiat vehicle group among its interests. The remaining 50 per cent of Cinzano is owned by the Cinzano family.

Cinzano will benefit from the IDV's financial resources to help develop its brands while IDV will obtain a stake in an international vermouth brand.

Grand Met is also to take a close interest in the management of Cinzano through the appointment of Mr Patrick Copeland, previously IDV's marketing director, as general manager of Cinzano International, based in Geneva.

IDV had sales of nearly £1bn in the year ended September 1984 while Cinzano had sales of about £250m in the same period. The Italian company employs 2,000 people and has operations in 26 countries.

Count Alberto Marone Cinzano, chairman of Cinzano International, will join the IDV board while Mr George Bull, chief executive of IDV, and Mr Neil McGowan, finance director, will represent IDV on the Cinzano board.

IDV (UK) is to take over responsibility for the sales and marketing of Cinzano in the UK, as part of an agreement for the two companies to establish reciprocal trading relationships where it is commercially viable.

IDV first revealed it was discussing plans to acquire a stake in Cinzano last October.

Humphries quits business

Humphries Holdings, probably the third biggest motion film processor and developer in Britain, is getting out of the business. It has sold three of its film laboratories to Rank Film Laboratories for about £1m and is closing the fourth, in London, with a loss of 130 jobs.

Humphries, which is 75 per cent owned by BET, said its other subsidiaries — including Humphries Video Services and *the CTS music recording studios* —would continue to operate as before.

Rank, Britain's biggest film processor, will take over Humphries' laboratories in Manchester, Leeds and Glasgow, which employ 58 staff and have a net asset value of around £1m.

The London laboratory lost £1m in the year to March 31 and £2m in the previous five years. Humphries will make redundancy payments costing some £1.4m and intends to sell the London building, which has a book value of around £1m.

Humphries was involved in talks with Rank about a possible merger of the film laboratories two years ago, but nothing came *of the deal then, even though* it got a green light from the Office of Fair Trading.

The UK's second biggest processor, Technicolour (UK) also held talks with Humphries in 1983 about a possible takeover.

Nicholson leaves Hobson

Hobson, a USM-quoted maker of aluminium dies, announced yesterday that managing director George Nicholson, who has been in dispute with his fellow board members, had resigned as a director of the company.

The board said it had also terminated Mr Nicholson's employment with immediate effect.

Mr Nicholson was temporarily suspended as managing director just before Christmas on full pay. He sought to get the suspension stopped in the courts and then called an extraordinary general meeting of the company, where shareholders turned down his proposal to remove his fellow directors from the board.

COMPANY NEWS IN BRIEF

5,075 aplications were recieved for a total of 11,032,550 ordinary shares in Shorrock.

Employees submitted 86 applications for 47,250 shares which have been alloted in full.

Remaining 6,483,750 shares have been allotted as follows: up to 1,000 allottment in full: 1,101 to 10,000 — the greater of 1,000 shares of 65 per cent of the number aplied for; 11,000 and over — the greater of 6,500 shares of 39 per cent of the number applied for.

* * *

Negotiations are at an advanced stage for the acquisition by Stewart Wrightson Holdings of 70 per cent of BAII Insurance Services which operates in the Middle East, from offices in Bahrain, primarily as a facultative reinsurance broker, placing busines in the London, international and local insurance markets.

* * *

On March 29, Scottish & Newcastle Breweries purchased a further 25,000 ordinary shares in Matthew Brown at a price of 440½p per share.

At the time of this purchase, the mid-point of the touch price in the market for S & N ordinary shares was 128½p. Following the purchase, S & N held 2,896,000 ordinary shares (12.8 per cent) in Matthew Brown.

* * *

Home Counties Newspapers hoisted pre-tax profits in 1984 to £1.09m compared with £291,000 previously.

Turnover for the group, which is engaged in the printing and publication of local weekly newspapers in Greater London and the Home Counties, moved ahead from £11.57m to £13.08m.

An increased 4.75p (3.25p) final is being paid, making a 7p (5p) total for the year. Earnings were 23.7p (5.6p).

* * *

J. Rothschild Holdings has sold Popper Print and Packaging, a private printer and carton manufacturer, in a management buy-out valued at £1.1m.

The deal marks the further withdrawal from Rothschild's investments in industrial subsidiaries, the policy outlined by its chairman, Mr Jacob Rothschild, last year.

* * *

Although turnover of Silkolene Lubricants rose from £20.27m to £25.76m in 1984, pre-tax profits were little changed at £1m (£1.02m). Earnings per 25p share slipped from 17.3p to 15.2p, but the dividend total is 1p higher at 9p net with a final of 6p. The company believes that its plans for 1985 will lead to an improvement on the reported results.

* * *

Despite a sharp increase in turnover from £13.8m to £20.66m, pre-tax profits of C. H. Peace & Sons, construction group, were virtually unchanged at £1.35m (£1.34m) for the half year to November 30, 1984. Stated after-tax earnings dropped from 22.7p to 19.1p per 25p share, while the net interim dividend is raised by 0.25p to 1.75p.

The board would not expect full year profits to exceed the previous year's, unless the sale of certain development properties, currently under negotiation, is completed before the year-end.

* * *

Thomas Robinson & Son, ingineer and machine maker, continued the recovery made in the first half to achieve pre-tax profits of £507,000 for 1984, compared with losses of £697,000.

Sales rose to £11.37m (£7.93m), with exports representing 44.5 per cent (20.2 per cent) of turnover of the group's UK-registered companies. Net earnings per share are shown as 6.7p (nil).

* * *

Early's of Witney has increased its profit from £33,533 to £150,638 for the year ended February 1, 1985. The dividend is held at 1.15p net with an unchanged final of 1p.

Turnover moved up to £8.75m (£8.06m) and operating profit to £263,023 (£170,440), while interest charges were reduced to £112,385 (£136,907). At the half-way stage, there was a liss before tax of £45,000 after charging £80,000 for writing down a quantity of blankets.

Tax takes £28,416 (£8,342) to leave earnings per 10p share at 1.96p (0.3p). There are extraordinary credits of £150,736 (debit £27,147) being profit on sales of two properties, less redundancies.

* * *

Relyon Group, Somerset-based divan and mattress manufacturer, reported a small improvement in pre-tax profits for 1984 of just £3,007 to £2.08m.

A final 2.8p dividend is being paid, compared with a scrip issue adjusted 2.5p, bringing the total for the year to 4.45p, against 4.04p.

On turnover of £19.65m (£16.53m), the group made an operating profit of £1.81m (£1.68m).

Tax took £546,522 (£977,118). Stated earnings were 12.94p (9.33p).

* * *

For the 14 months ended December 31 1984, profits of Aldcom International, the design consultancy group, have reached £1.6m, against a restated £567,000 for the previous year. On an annualised basis the directors say the increase is equal to 142 per cent.

The outlook for the current year, they say, is for continued growth in all divisions. The dividend is 1p net, against 0.8p.

Turnover amounted to £24.77m, compared with £12.8m in the previous period.

Tax takes £794,000 (£214,000) and minorities £55,000 (£30,000), leaving a net profit of £752,000 (£323,000). Earnings are shown to be 3.55p (1.79p) and there are extraordinary debits of £429,000 (£90,000).

A flying start for Euroyen convertible market, Page 46

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday April 2 1985

WALL STREET

Steady Fed stance aids confidence

CONFIDENCE on Wall Street that the Federal Reserve is maintaining a slack hold on the credit reins was buoyed yesterday by confirmation that the board's policy-making Open Market Committee voted in February to hold policy steady, *writes Terry Byland in New York.*

Bond prices continued to edge ahead but the stock market, which expects some disappointing corporate results this month, was initially more cautious.

By 2pm, stocks were picking up and the Dow Jones industrial average was 3.54 ahead at 1,270.32.

The latest economic data provided a mixed image of business trends in the U.S. A survey of purchasing managers indicated a slowdown in economic activity in March. But a rise of 1.4 per cent in U.S. construction orders in February was greater than expected, as was the 0.7 per cent increase in leading economic indicators in the same month.

Federal bonds were quietly firm as the market absorbed the weight of Government paper taken on board at last week's Treasury auctions. Short-term rates hung fire, with enthusiasm dampened by an initial rise in federal funds rate to 8 11/16 per cent.

Gains of nearly half a point in bond prices reflected Wall Street's conviction that the Fed has no wish to see rates rise at present. Professional traders were cautious, however, pending news from a Congressional sub-committee hearing on the federal bond markets in the wake of last month's collapse of ESM Government Securities. Mr Gerald Corrigan, president of the New York Fed, told the committee of the Reserve Board's concern over intra-market repurchase transactions and the problems of regulating bond traders.

In the stock markets, the combination of an apparent moderation in the economic pace and recent warnings of the effects of the dollar on first-quarter earnings has offset the expectation of easier interest rate trends.

North American closing prices were not available for this edition due to the introduction of Summer Time in Europe. Normal time differences will realign on April 28.

The Detroit carmakers continued to edge forward on the back of a good sales performance. General Motors at $73½ was $½ up, Ford $⅜ better at $42¾ and Chrysler $¼ firmer at $35.

The mainframe computer makers also improved again, although turnover was modest. IBM added $⅜ to $127¾, Honeywell $1 to $58¾ and Burroughs $⅛ to $59⅞.

But several smaller technology stocks proved vulnerable to corporate developments. Datapoint, which is to buy in 2m of its own shares, dipped $1⅝ to $16⅞. Data General fell a further $1 to $44⅞.

Hospital management stocks were featured by the plan disclosed by Hospital Corporation of America and American Hospital Supply to merge and form the largest national health care concern at a time of increasing competition in the industry.

Both stocks, suspended on the NYSE pending further news, were quoted in the third market, albeit on wide trading spreads. Jefferies, the leading off-floor trader, quoted Hospital Corp at $42 bid – $46¾ asked, and American Hospital Supply at $31½ bid – $37 asked.

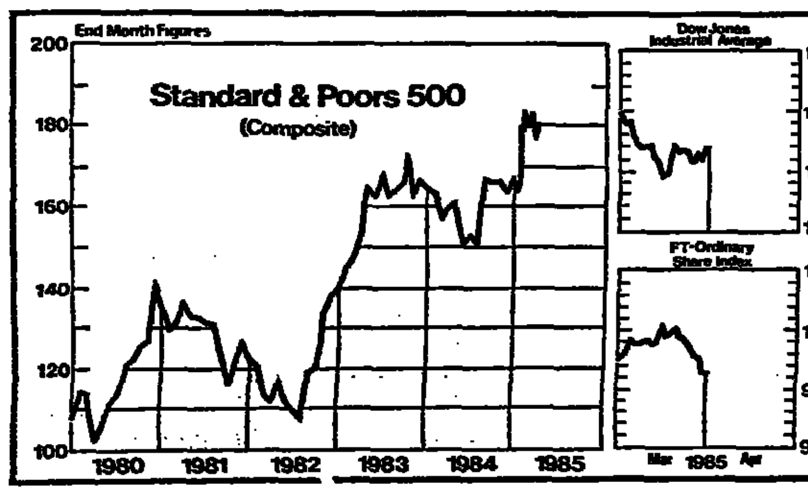
Financial Corp of America was $⅛ better at $7⅞ after reporting the heavy, but predicted, loss for the fourth quarter. Other thrift stocks were mixed, with H. F. Ahmanson, the largest of the publicly-quoted groups, $⅜ off at $33½.

Defence industry stocks were unsettled by the rash of accusations of questionable contract pricings. United Technologies, which announced layoffs in the semiconductor workforce, shaded down $¾ to $40⅛.

The credit market's confidence was soosted when the Federal Reserve announced $1.5bn in customer repurchases as federal funds reached 8 11/16 per cent. Short-term rates continued to ease, with Treasury bills around four basis points off, ahead of the weekly auction, which is larger than usual at $13.1bn.

Bond prices remained firm, although below their best levels.

KEY MARKET MONITORS



STOCK MARKET INDICES

	April 1	Previous	Year ago
NEW YORK			
DJ Industrials	1,270.32*	1,266.78	1,164.89
DJ Transport	603.41*	603.08	510.19
DJ Utilities	153.73*	153.01	126.83
S&P Composite	181.04*	180.66	159.18
LONDON			
FT Ord	963.8	964.3	870.8
FT-SE 100	1,278.3	1,277.0	1,112.5
FT-A All-share	616.59	616.21	522.95
FT-A 500	673.46	673.74	564.19
FT Gold mines	507.5	515.2	651.3
FT-A Long gilt	10.54	10.50	10.05
TOKYO			
Nikkei-Dow	12,677.15	12,590.2	10,929.1
Tokyo SE	999.30	999.08	866.78
AUSTRALIA			
All Ord.	828.6	829.7	750.5
Metals & Mins.	524.3	523.5	530.6
AUSTRIA			
Credit Aktien	74.19	73.71	55.14
BELGIUM			
Belgian SE	2,249.70	2,252.66	–
CANADA			
Toronto			
Metals & Minls	2,035.5*	2,020.2	2,326.0
Composite	2,615.5*	2,612.6	2,382.1
Montreal			
Portfolio	129.23*	129.13	116.09
DENMARK			
Copenhagen SE	n/a	178.02	181.81
FRANCE			
CAC Gen	211.4	211.0	163.7
Ind. Tendance	115.70	115.40	86.53
WEST GERMANY			
FAZ-Aktien	408.72	408.9	348.89
Commerzbank	1,183.2	1,180.9	1,022.3
HONG KONG			
Hang Seng	1,389.13	1,382.04	1,014.38
ITALY			
Banca Comm.	269.54	271.43	218.85
NETHERLANDS			
ANP-CBS Gen	202.8	202.7	161.1
ANP-CBS Ind	165.0	164.6	130.1
NORWAY			
Oslo SE	308.11	304.8	262.79
SINGAPORE			
Straits Times	818.24	820.49	994.44
SOUTH AFRICA			
Golds	n/a	1,053.4	1,011.0
Industrials	n/a	895.1	1,070.6
SPAIN			
Madrid SE	111.97	111.72	84.37
SWEDEN			
J & P	1,384.50	1,395.30	1,567.26
SWITZERLAND			
Swiss Bank Ind	414.3	416.4	368.3
WORLD	Mar 29	Prev	Year ago
Capital Int'l	203.3	202.3	189.0

GOLD (per ounce)

	Apr 1	Prev
London	$321.125	$330.00
Zürich	$321.25	$329.25
Paris (fixing)	$324.35	$329.27
Luxembourg	$328.50	$331.00
New York (Apr)	$320.50*	$329.60

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Apr 1	Previous	STERLING Apr 1	Previous
$	–	–	1.2225	1.2375
DM	3.12	3.0825	3.81	3.81
Yen	252.65	251.05	308.5	310.0
FFr	9.47	9.405	11.59	11.655
SwFr	2.64	2.6025	3.23	3.215
Guilder	3.515	3.4825	n/a	4.2875
Lira	1,990.0	1,970.5	n/a	2,436.0
BFr	62.7	62.0	n/a	76.65
C$	1.368	1.369	n/a	1.6875

INTEREST RATES

	Apr 1	Prev
Euro-currencies (3-month offered rate)		
£	13⅝	13¼
SwFr	5⅝	5¾
DM	6⅛	6
FFr	11	11
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅛	9¼
6-month U.S.$	9⅜	9⅝
U.S. Fed Funds	8 11/16*	8¾
U.S. 3-month CDs	8.65*	8.70
U.S. 3-month T-bills	8.13*	8.16

U.S. BONDS

Treasury	Apr 1* Price	Yield	Prev Price	Yield
10% 1987	100 9/32	10.41	100 9/32	10.41
11¾ 1992	100 15/32	11.612	100 15/32	11.28
11¾ 1995	97 21/32	11.629	97 21/32	11.68
11¼ 2015	96 5/32	11.63	96 5/32	11.69
Corporate	**Apr 1* Price**	**Yield**	**Prev Price**	**Yield**
AT&T				
10⅜ June 1990	95⅜	11.49	95⅜	11.49
3⅝ July 1990	73⅞	10.62	73⅞	10.62
8¾ May 2000	75¾	12.32	75¾	12.32
Xerox				
10⅞ March 1993	93¼	12.0	93¼	12.0
Diamond Shamrock				
10¾ May 1993	92½	12.40	92½	12.40
Federated Dept Stores				
10⅜ May 2013	86.153	12.40	86.153	12.40
Abbot Lab				
11.80 Feb 2013	94.920	12.45	94.920	12.45
Alcoa				
12½ Dec 2012	95.078	12.90	95.078	12.90

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	69-25	69-26	69-14	69-23
U.S. Treasury Bills (IMM) $1m points of 100%				
June	91.40	91.43	91.35	91.41
Certificates of Deposit (IMM) $1m points of 100%				
June	90.61	90.65	90.58	90.65
LONDON				
Three-month Eurodollar $1m points of 100%				
June	90.18	90.24	90.17	90.26
20-year National Gilt £50,000 32nds of 100%				
June	105-13	106-28	105-10	106-28

COMMODITIES

(London)	Apr 1	Prev
Silver (spot fixing)	529.65p	537.10p
Copper (cash)	£1,154.50	£1,145.50
Coffee (May)	£2,200.50	£2,168.00
Oil (spot Arabian light)	$27.75	$27.75

LONDON

Sterling remains key influence

THE RECENT trading pattern in London stocks was reversed yesterday. Blue chips made a determined attempt to pull out of the previous seven-day decline but gilts parted with some of their post-budget gains. Sterling remained the key influence on sentiment. By the close, the FT Ordinary index was 0.5 lower at 963.8.

Sporadic profit-taking in gilts by overseas investors met with little resistance and longer maturities drifted back to settle ½ lower in places.

Domestic cash shortages continued and following the authorities latest £750m funding, announced late on Friday, the market appeared adequately supplied with stock.

Chief price changes, Page 38; Details, Page 39; Share information service, Pages 40–41

HONG KONG

A LATE foray by profit-takers in Hong Kong clipped some of the early gains off the Hang Seng index which finished a net 7.09 higher at 1,389.13, having peaked at 1,400.83.

Hutchison Whampoa, which announced a 12 per cent drop in profits after the close, gained 30 cents to HK$20.90 while Jardine Matheson eased 10 cents to HK$9.25.

Cheung Kong shed 20 cents to HK$13.80 ahead of sharply lower 1984 earnings, although the property group is maintaining its 45 cents per share dividend.

AUSTRALIA

IN ACTIVE trading in Sydney, most sectors were easier as institutional investors remained on the sidelines. The All Ordinaries index dipped 1.1 to 828.6.

A technical correction in gold and resource issues after last week's advance left leading shares lower. BHP slipped 2 cents to A$5.92 and CRA retreated 8 cents to A$6.06.

A mixed media sector left News Corporation steady at A$14 while Herald & Weekly Times edged 2 cents down to A$4.10.

SINGAPORE

LIGHT selling pressure forced Singapore share prices down as the Straits Times industrial index eased 2.25 to 818.24.

Features included Cycle & Carriage which rose 12 cents to S$4.08 in active trading, while Pan Electric followed the broad market trend with an 8-cent fall to S$2.38, despite its higher 1984 results.

DBS was actively traded and lost 5 cents to S$6.15, although Malayan Banking added 5 cent to S$6.

SOUTH AFRICA

AN EASIER tone in the bullion price took gold shares in Johannesburg down slightly although trading was mixed for most of the session.

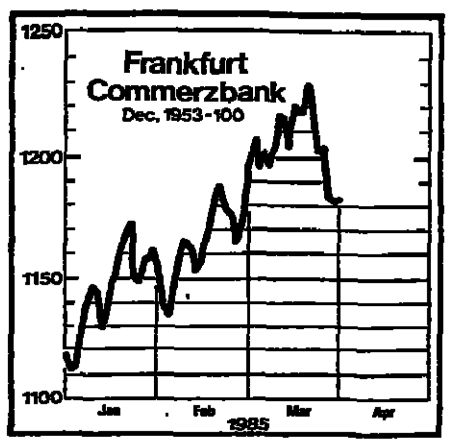
Randfontein lost R2 to R200, Free State Geduld retreated R1 to R53.50 and Driefontein fell 75 cents to R53. Mining financials and other mines moved lower in sympathy as Anglo American dropped 25 cents to R25 and De Beers slipped 18 cents to R9.97.

CANADA

OILS dominated an active Toronto although heavy losses were recorded by gold issues.

Texaco Canada rose C$¾ to C$18¼, Gulf Canada put on C$⅜ to C$19⅞ while Bow Valley Industries traded C$⅛ higher to C$17⅞.

Montreal managed to post a small rise across the board.



EUROPE

An absence of fresh factors

A HESITANT day's trading was seen in many European centres with investors holding back in the absence of a lead from any new economic data.

In Frankfurt, trading was quiet with an inflow of funds to institutional investors from coupon payments in the bond markets failing to resurface into the stock markets.

The Commerzbank index added 2.3 to 1,183.2, largely reflecting some early enthusiasm from individual investors ahead of the latest results from the banking sector. However, at the close, prices were again drifting lower.

The mood was reflected by Commerzbank whose shares rose to a high of DM 165.50 in the wake of its higher net profit and unchanged dividend but later slipped back to close a net 20 pfg lower at DM 164.50.

Among other banks, Deutsche added DM 2.90 to DM 439, after a high of DM 439.50, while BHF ended at a day's high, up DM 3.50 at DM 264.50. Bayer-Hypo put on DM 6 to DM 335 but Dresdner ended a net 10 pfg lower at DM 188.90, having climbed at one stage to DM 189.90.

In other sectors, Hoechst rose DM 4.40 to DM 203.90, Bayer DM 2.10 to DM 207.50 and BASF DM 2.70 to DM 198.90. Pharmaceutical stock Schering added DM 2.50 to DM 447.50.

In electricals, Siemens was DM 6.90 higher at DM 527.40 and AEG put on DM 1.90 at DM 108.40. High technology stocks saw IWKA DM 7 ahead at DM 278 and Nixdorf up DM 3.30 at DM 547.80.

Bonds were little changed with the coupon payments again failing to fund reinvestment.

Paris had a mixed session but prices were showing a firmer bias at the end of the day after the Economics Ministry had announced plans for a new broad strategy aimed at modernising equity markets and promoting closer competition among participants.

Electricals, oils and textiles improved while chemicals and foods were mostly lower.

Brussels was steady to easier. Société Générale de Belgique rose BFr 10 to BFr 1,990 as it announced plans to increase its stake in ACEC the electrical company, by buying out Westinghouse's holding. ACEC, added BFr 64 to BFr 674.

Petrofina was unchanged at BFr 6,750 while in the chemicals sector, Tessenderlo shed BFr 100 to BFr 3,200 and UCB declined BFr 60 to BFr 5,250.

Among corporate reporters, Delhaize added BFr 50 to BFr 6,850 as it announced a lower consolidated group net profit but higher dividend. Wagon-Lits was BFr 35 higher at BFr 2,685 as it announced higher net profit for 1984.

Opening losses were extended in Amsterdam. The cut in the credit surcharge by major Dutch banks failed to provide any impetus for bank shares with investors determined to await annual reports from major companies later in the week before committing themselves to new investment strategies.

The slightly higher dollar helped Royal Dutch, up Fl 2.80 to Fl 199.10, but Hoogovens fell 40 cents to Fl 57.50 ahead of its annual report, due on Thursday.

Publisher Elsevier was Fl 1 ahead at Fl 114.50, amid high expectations of its report, due today.

The banks were mixed with NMB down Fl 1.50 at Fl 171.50 and Amro 70 cents easier at Fl 73.50 ABN managed a 50 cent advance to Fl 404.

Bonds were steady to higher in quiet trading with many investors remaining out of the market after last week's relatively active buying.

Zurich was also mixed to lower in lackhistre trading. Leading industrials lost ground but banks were mixed. Dow Banking added SwFr 20 to SwFr 1,200.

Insurers were higher with Swiss Re SwFr 150 ahead at SwFr 10,000 while Winterthur put on SwFr 60 to SwFr 3,780.

Bonds were steady in light trading. The Federal Government's latest bond, which had been tendered at 101.40 per cent at its 5 per cent coupon, closed at 101 per cent on the first day of trading.

Meanwhile, the Justice Ministry, plans to submit a draft law to the Government during the next few weeks, banning insider trading. The ministry hopes it will come into force in 1987.

An absence of institutional buying left Milan lower but Madrid turned higher led by advances in the food sector. Stockholm was lower.

TOKYO

Active spur to further record level

INVESTORS bought actively in Tokyo yesterday at the start of the new financial year, with the Nikkei-Dow market average hitting an all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

Buying centred on stocks related to new materials, biotechnologies and those with off-the-book assets. Some blue chips staged a late rally.

The Nikkei-Dow indicator rose 86.95 to 12,677.15, surpassing last Thursday's record of 12,604.02. Spurred by the inauguration of Pacific Securities, through the merger on Monday of three brokerage houses affiliated with Yamaichi Securities, volume expanded to 577m shares from Friday's 488m.

Mitsubishi Steel Manufacturing was traded actively with investors speculating that the company might start commercial production of an amorphous alloy. It advanced Y27 to Y595 and Japan Metals and Chemicals firmed Y35 to Y520 in sympathy.

Among biotechnology issues, Toray, which had obtained approval to manufacture beta interferon, was actively traded but profit-taking pushed its price down by Y27 to Y503. Nippon Oil and Fats gained Y51 to Y771.

As for biotechnology-related large-capital chemicals, Mitsubishi Chemical closed up Y19 at Y467, while Kanebo, the most active with 23.51m shares changing hands, added Y27 to Y382. Sumitomo Chemical rose Y6 to Y225.

Nippon Steel ranked second on the active list with 22.74m shares, but its price dipped Y2 to Y159 under profit-taking pressure. Mitsubishi Heavy Industries and Kawasaki Heavy Industries also eased, losing Y1 to Y275 and Y2 to Y152 respectively.

Speculative interest in off-the-book assets sent Heiwa Real Estate soaring Y81 to Y928 on the day's third heaviest trading of 22.33m shares. Tokyu Department Store rose Y28 to Y469 and Mitsubishi Estate finished at Y641, up Y9.

Some blue chips, which had been losing ground because of Japan-U.S. trade friction, rallied on small-lot buying. Sony jumped Y80 to Y4,370, Hitachi gained Y8 to Y835 and Matsushita Electric Industrial closed Y40 higher at Y1,540.

Bond prices plunged after the yen dropped against the U.S. dollar. Institutional investors remained on the sidelines and most trading was undertaken by securities houses. The yield on the benchmark 7.3 per cent government bonds maturing in December 1993 jumped to 6.705 per cent from Saturday's 6.655 per cent.

INDIA

Brief return after boom in Bombay

THE BOMBAY stock exchange opened for only an hour yesterday following an unprecedented boom in share dealings last week following India's budget, *writes R. C. Murthy in Bombay.*

Trading in 55 leading shares was only allowed for squaring-up transactions made before the exchange closed last Thursday night. Normal trading was allowed in other shares during the hour but few transactions were made.

The restricted trading is to continue for the time being in Bombay, which is India's largest exchange. It was introduced last week when stock exchange authorities feared that prices would crash once the initial reaction to the budget's tax cuts and boosts for industry had subsided.

The All-India share price index of the Economic Times, India's leading financial newspaper, had risen from 311.3 just before the budget of March 16 to a peak of 335.4 (1970=100).

Along with the Calcutta exchange, the Bombay authorities first suspended the top 55 companies from any new transactions and then introduced further restrictions.

The measures to curb speculation, however, had little impact during the time the Bombay exchange was open and bullish fervour was strong.

WORLD STOCK MARKETS

AUSTRIA

Apr. 1	Price Schs	+ or −
Creditanstalt	252	+3
Goesse	426	−1
Interunfall	555	+10
Laenderbank	251	+6
Perlmooser	402	.....
Steyr-Daimler	168	−2
Veitscher Mag	393	−1

BELGIUM/LUXEMBOURG

Apr. 1	Price Frs.	+ or −
B.B.L.	1,925	+5
Banq. Int. A. Lux	6,150	.....
Bekaert B.	5,930	.....
Ciment CBR	2,560	+30
Cockerill	267	+4
Delhaize	6,850	+50
EBES	3,080	.....
Electrobel	8,650	−50
Fabrique Nat	2,020	+20
GB Inno BM	3,105	−20
GBL (Brux)	1,960	+40
Gevaert	3,975	+75
Hoboken	5,870	.....
Intercom	2,215	−5
Kredietbank	8,050	+40
Pan Hldgs.	11,000	.....
Petrofina	6,750	.....
Royale Belge	11,200	.....
Soc. Gen. Banq	3,360	−120
Soc. Gen. Belge	1,990	+10
Sofina	7,480	−70
Solvay	4,410	.....
Stanwick Intl.	1,658	+8
Tractionel	4,125	.....
UCB	5,250	−60
Wagon Lits	2,685	+35

DENMARK

Apr. 1	Price Knr %	+ or −
Andelsbanken	282	.....
Baltic Skand	520	.....
CopHandelsbank	277	.....
D. Sukkerfab	545	+5
Danske Bank	272	.....
De Danske Luft	1,200	.....
East Asiatic	175	+2
Forenede Brygg.	885	.....
Forenede Damp.	118	−2
GNT Hldg	411	.....
I.S.S.B.	435	+10
Jyske Band	565	.....
Novo Ind	1,555	.....
Privatbanken	245	+1
Provinsbanken	334	+1
Smidth (F)	234	+2
Sophus Berend	1,015	+5
Superfos	473	+1

FRANCE

Apr. 1	Price Frs.	+ or −
Emprunt 4½% 1973	1750	−25
Emprunt 7% 1973	8350	−40
Accor	385	+10
Air Liquide	649	+10
BIC	501	−15
Bongrain	1,915	−5
Bouygues	648	+11
BSN Gervais	2,340	.....
CIT-Alcatel	1,380	+10
Carrefour	2,030	+30
Club Mediter'n	1,170	−4
Cie Bancaire	618	+8
Cofimeg	275.5	.....
Damart	2,090	+5
Darty	1,211	+16
Dumez S.A.	698	−6
Eaux (Cie Gen)	639	+4
Elf-Aquitaine	243.0	+4.2
Essilor	2,870	−30
Gen. Occidentale	706	−1
Imetal	106.5	−3
Lafarge Coppee	477	+1
L'Oreal	2,478	+3
Legrand	2,047	+8
Maisons Phenix	255.5	+1.5
Matra S.A.	1,856	−5
Michelin B	940	+40
Midi (Cie)	2,215	+5
Moet-Hennessy	1,856	−7
Moulinex	109.5	+1.1
Nord Est	89.5	+0.8
Pernod Ricard	698	.....
Perrier	490	−7
Petroles Fra	268.0	+4.5
Peugeot S.A.	285	+3
Printempt Au	323	.....
Radiotech	280.5	+0.5
Redoute	1,399	−1
Roussel-Uclaf	1,694	−21
Skis Rossignol	1,875	+10
Telemech Elect	2,580	+48
Thomson CSF	543	+13
Valeo	223.2	−1.5

GERMANY

Apr. 1	Price Dm.	+ or −
AEG-Telef	108.4	+1.9
Allianz Vers	1045xr	+10
BASF	198.9	+2.7
Bayer	207.5	+2.1
Bayer-Hypo	335	−0.5
Bayer-Verein	339	.....
BHF Bank	264.5	+5.5
BMW	373.5	+3.5
Brown Boveri	214.7	+0.4
Commerzbank	164.5	+2.3
Cont'l Gummi	136	+2.3
Daimler Benz	659.5	+5.0
Degussa	360	+2
D'sche Babcock	164	+0.5
Deutsche Bank	459	+8.9
Dresdner Bank	188.5xr	−0.1
GHH	153.5	−0.5
Hochtief	470.5	+5.5
Hoechst	202.9	+4.4
Hoesch Werke	108	+1.5
Holzmann (P)	395	+4
Horten	169	+1
Hussel	293.8	+0.8
Karstadt	212	+1.5
Kaufhof	224	+7
KHD	243.5xr	−0.5
Kloeckner	70.1	+1.1
Linde	413	+2
Lufthansa	180	+2
MAN	155.7	−1.7
Mannesmann	148	+3.7
Mercedes Hld.	382.5	+2.4
Metallges	250	+1.5
Muench Rueck	1150	+30
Nixdorf	347.5	+5.5
Porsche	1185xd	+25
Preussag	272	.....
Rhein West Elect	153.3	+1.8
Rosenthal	241	.....
Schering	447.5	+2.5
Siemens	527.4xd	+6.9
Thyssen	90.8	+1.5
Varta	182	+3
Veba	178.8	+0.6
V.E.W.	124.1	+1.1
Verein-West	315	+1
Volkswagen	203	+4

ITALY

Apr. 1	Price Lira	+ or −
Banco Com'le	16,601	−349
Bastogi IRBS	209	−3
B.I-Invest	3,450	−10
Centrale	2,505	−125
Credito Varesino	4,011	−49
Fiat	2,852	−23
Finsider	53.5	−0.5
Generali Assicur	49,000	−550
Italcementi	79,500	−1080
La Rinascente	665	−15
Montedison	1,515	+15
Olivetti	6,180	−115
Pirelli Co	4,235	−15
Pirelli Spa	2,181	+21
Snia BPD	2,770	+10
Toro Assic	14,110	−110
do Pref	10,300	−205

NETHERLANDS

Apr. 1	Price Fls	+ or −
ACF Holding	200	+3
AEGON	133.5	−1.5
Ahold	212	−2
AKZO	108.5	−0.5
ABN	404	+0.5
AMEV	270	−2.5
AMRO	73.5	−0.7
Bredero Cert	151.5	+6.5
Bos Kalis Westm	18.6	+0.8
Buehrmann-Tet	87.5	+0.5
Calland Hldgs	250	.....
Dordtsche Pet'm	177.8	+1.8
Elsevier NDU	114.5	+1
Fokker	101.5	−2.9
Gist Brocades	181.8	−1.2
Heineken	156.5	+0.5
Hoogovens	57.5	−0.4
Int Mueller	56.1	−0.2
KLM	58.5	−0.3
Naarden	47.8	+0.2
Nat Ned Cert	69.4	−0.1
Ned Mid Bank	171.5	−1.5
Nedlloyd	183.5	−0.5
Oce Grinten	313	+1
Ommeren (Van)	30.9	−0.4
Pakhoed	71.7	−0.4
Philips	57.5	−0.2
Robeco	71.7	+0.3
Rodamco	158.2	+0.3
Rolinco	66.8	+0.3
Rorento	43.8	+0.2
Royal Dutch	199.1	+2.8
Unilever	341.5	+1.5
VMF Stork	151.8	−0.2
VNU	205.2	−1.8
West Utr Bank	102.2	−0.3

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Apr. 1	Price Kroner	+ or −
Bergens Bank	144	+2
Borregaard	335	−2
Christiania Bank	143	+1
Den Norske Creditbank	145	.....
Elkem	140	+1
Kvaerner	187.5	+2.5
Norsk Data	387.5	+2.5
Norsk Hydro	104	+0.5
Storebrand	237.5	−0.5

SPAIN

Apr. 1	Price Ptas %	+ or −
Bco Bilbao	317	+5
Bco Central	315	+1
Bco Exterior	205	.....
Bco Hispano	158	.....
Bco Popular	380	+8
Bco Santander	251	−4
Dragados	172	+3
Hidrola	53.7	−0.5
Iberduero	57	+1.3
Petroleos	130	+1.5
Telefonica	127.5	+0.5

SWEDEN

Apr. 1	Price Kronor	+ or −
AGA	399	+4
Alfa-Laval	190	−1
ASEA (Free)	372	−12
Astra (Free)	370	.....
Atlas Copco	103	−1
Cardo (Free)	250	.....
Cellulosa	216	−1
Electrolux B	314	−4
Ericsson	294	−1
Esselte	340	−10
Mo och Domsjo	328	+4
Pharmacia	207	+2
Saab Scania Free	430	.....
Sandvik	375	−5
Skandia	321	+3
Skan Enski'da	47	−0.5
SKF	204	+8
St Kopparbergs	130	−2
Sven Handlesbn.	161	+1
Swedish Match	215	−1
Volvo B (Free)	275	.....

SWITZERLAND

Apr. 1	Price Frs.	+ or −
Alusuisse	835	−10
Bank Leu	3,560	−10
Brown Boveri	1,620	−10
Ciba Geigy	2,810	−40
do. (Part Certs)	2,285	−20
Credit Suisse	2,410	+5
Elektrowatt	2,830	+20
Fisher Geo.	725	+6
Hoff-Roche PtCts	86,750	−250
Hoff-Roche 1/10	8,675	.....
Jacobs Suchard	6,325	−25
Jelmoli	1,880	−50
Landis & Gyr	1,680	−5
Nestle	6,250	−50
Oer-Buehrle	1,470	.....
Pirelli	293	+1
Sandoz (Br)	7,450	−150
Sandoz (PtCts)	1,290	.....
Schindler (Pt Cts)	780	+3
Sika	1,130	+35
Surveillance	4,150	+20
Swissair	1,090	−25
Swiss Bank	374	+3
Swiss Reinsce	10,000	+150
Swiss Volksbk	1,420	.....
Union Bank	3,650	−10
Winterthur	3,780	−60
Zurich Ins	20,800	+100

AUSTRALIA

Apr. 1	Price Aust $.	+ or −
ANZ Group	4.52	−0.05
Alliance Oil Dev.	1.08	+0.01
Ampol Pet	1.88	−0.04
Ashton	0.94	+0.01
Aust. Cons. Ind	2.12	+0.07
Aust. Guarantee	2.5	.....
Aust. Nat. Inds	2.95	.....
Aust. Paper	3.54	+0.02
Bell Group	6.7	.....
Bell Res	6.5	.....
Bond Corp Hldgs	1.52	.....
Boral	3.27	−0.01
Bougainville	2.25	+0.09
Brambles Inds	5.92	−0.02
Bridge Oil	2.3	−0.05
B.H. Prop	5.92	−0.02
CRA	6.06	−0.09
CSR	2.9	+0.01
CastlemaineTys.	4.82	−0.05
Coles (G.J.)	3.75	−0.05
Comalco "A"	2.75	+0.05
Consolidated Pet	0.48	−0.02
Costain Aust.	1.60	.....
Dunlop Olympic	2.17	+0.08
Elders IXL	3.18	.....
Energ Res	1.43	.....

AUSTRALIA (continued)

Apr. 1	Price Aust. $	+ or −
Gen. Prop. Trust	2.14	−0.04
Hardie (James)	3.08	.....
Hartogen Energy	2.4	−0.02
Herald W'y Times	4.1	−0.02
ICI Aust.	1.9	.....
Jimberlana F.P.	0.35	.....
Kia Ora Gold	0.18	+0.01
Lend Lease	5.9	−0.1
MIM	3.15	+0.05
Mayne Nickless	4.5	+0.1
Myer Emporium	1.82	−0.02
Nat. Aust. Bank	3.45	−0.02
News	14	.....
Nicholas Kiwi	2	+0.04
North Bkn Hill	2.45	+0.02
Oakbridge	0.8	+0.01
Pancont'l	1.48	+0.03
Pioneer Conc.	1.65	−0.01
Poseidon	3.85	.....
Queensland Coal	1.45	+0.01
Reckitt & Coln	3.35	.....
Repco	1.26	+0.01
Santos	6.04	−0.06
Smith (Howard)	4.05	+0.05
Thos. Natwide	1.8	+0.02
Tooth	5.8	.....
Vamgas	3.8	+0.1
Western Mining	4.02	−0.03
Westpac Bank	3.49	+0.01
Woodside Petrol	1.02	.....
Woolworths	3.13	−0.02
Wormald Intl	3.62	.....

HONG KONG

Apr. 1	Price H.K.$	+ or −
Bank East Asia	21.7	.....
Cheung Kong	13.8	−0.2
China Light	14.9	+0.3
Evergo	1.15	.....
Hang Seng Bank	47.5	+0.25
HK Electric	7.35	+0.05
HK Kowloon Wh.	5.65	+0.05
HK Land	4.85	+0.05
HK Shanghai BK.	8.6	+0.1
HK Telephone	69.5	−0.5
Hutchinson Wpa	20.9	+0.5
Jardine Math.	9.25	−0.1
New World Dev.	6.15	.....
Orient O'seas	2.5	.....
Oseas Trust Bk	2.75	.....
SHK Props	9.4	+0.1
Shell Elect.	1.32	−0.1
Swire Pac A	23	.....
TV—B	6	.....
Wheel'k Mard A.	7.25	.....
Wheel'k M'time	1.10	.....
World Int. Hldns.	1.8	+0.01

JAPAN

Apr. 1	Price Yen	+ or −
Ajinomoto	1,130	+20
Alps Electric	1830	+10
Amada	1100	+40
Asahi Chem	856	−11
Asahi Glass	897	−3
Bridgestone	530	−2
Canon	1,320	+40
Casio Comp.	1,670	+40
Chugai Pharm.	1,140	+40
Citizen	531	−1
Daiei	510	+5
Dai Nippon Ptg	1,030	.....
Daiwa House	557	−3
Ebara	470	+30
Eisai	1,830	+10
Fanuc	9800	.....
Fuji Bank	1,620	−30
Fuji Film	1,710	.....
Fujisawa	1,100	+10
Fujitsu	1,140	.....
Green Cross	3,440	−40
Hasegawa	380	−3
Heiwa Real Est	928	+81
Hitachi	835	+8
Hitachi Credit	1,080	−50
Honda	1,400	+50
House Food	689	+4
Hoya	2,210	+10
Itoh (C)	359	+9
Ito. Yokado	2,630	.....
Iwatsu	1,040	−10
JACCS	320	−10
JAL	6,520	−60
Jusco	700	+20
Kajima	280	−4
Kao Soap	781	+3
Kashiyama	601	+5
Kirin	629	+28
Kokuyo	895	−5
Komatsu	464	−11
Konishiroku	678	+3
Kubota	334	−2
Kumagai	582	+3
Kyoto Ceramic	5,450	+60
Maeda Const	486	−2
Makino Milling	1,270	−20
Myakita	1,030	+30
Marubeni	309	−3
Marudai	550	−5
Marui	1,000	.....
MEI	1,540	+40
M'ta Elec Works	775	+25
M'bishi Bank	1,600	−30
M'bishi	536	−4
M'bishi Elect	404	+1
M'bishi Estate	641	+9

JAPAN (continued)

Apr 1	Price Yen	+ or −
MHI	275	−1
Mitsui	333	5
Mitsui Estate	651xc	.....
Mitsukoshi	426	−4
NGK Insulators	920xc	+14
Nihon Cement	347	+4
Nippon Denso	1,400	+70
Nippon Elect	1,090	+10
Nippon Express	373	−3
Nippon Gakki	1,850	+20
Nippon Kokan	138	.....
Nippon Oil	891xc	−6
Nippon Seiko	679	+4
Nippon Shimpan	562	+12
Nippon Steel	159	−2
Nippon Suisan	349	−14
NTV	11880xc	.....
Nippon Yusen	241xc	+5
Nissan Motor	665	+7
Nisshin Flour	548	+1
Nisshin Steel	176	−5
Nomura	1,200	−2
Olympus	1,200	.....
Orient Leasing	3,150	−10
Pioneer	2,630	.....
Renown	622	+5
Ricoh	883	+5
Sankyo	1,260	+20
Sanyo Elect	452	.....
Sapporo	465	+8
Sekisui Prefab	575	−5
Seven Eleven	0,900	.....
Sharp	987	−13
Shimadzu	689xc	+9
Shionogi	712xc	.....
Shiseido	11,00	+30
Sony	4,370	+60
Stanley	948	+3
S'tomo Bank	1,720	−30
S'tomo Elect	900	−33
S'tomo Marine	660	+5
S'tomo Metal	156	−3
Taihei Dengyo	486	−5
Taisei Corp.	210	−1
Taisho Pharm	1,230	−40
Takeda	885	+7
TDK	5,660	+110
Teijin	473	−2
Teikoku	657	−4
Tokyo Marine	880	.....
TBS	780	+6
Tokyo Elect Pwr	1,730	−30
Tokyo Gas	179	−2
Tokyo Sanyo	730	+35
Tokyo Style	698	−4
Tokyu Corp	340	.....
Toppan Print	858	.....
Toray	503	−27
Toshiba Elect	422	+6
TOTO	650	+10
Toyo Seikan	910	+1
Toyota Motor	1,380	+20
Victor	2,120	+30
Wacoal	710	−5
Yamaha	760	−9
Yamanouchi	4,000	+90
Yamazaki	656	−16
Yasuda Fire	491	−9
Yokogawa Bdge.	414	+1

SINGAPORE

Apr. 1	Price $	+ or −
Boustead Hldgs.	1.69	.....
Cold Storage	2.65	+0.01
DBS	6.15	−0.05
Genting	5.6	
Haw Par. Bros.	2.30	−0.03
Hong Leong Fin	3.04	.....
Inchcape Bhd.	2.44	
Keppel Shipyard	1.73	−0.02
Malay Banking	6.00	+0.05
Malay Utd. Ind	2.46	+0.02
Multi Purpose	0.90	.....
OCBC	9.15	−0.05
OUB	3.9	.....
Public Bank	1.59	.....
Sime Darby	1.92	.....
Singapore Press.	6.15	.....
Straits Trdg.	4.26	−0.04
Tat Lee Bk	2.8	.....
UOB	4.34	−0.18

SOUTH AFRICA

Apr. 1	Price Rand	+ or −
Abercom	1.4	+0.05
AE&CI	7.4	−0.2
Allied Tech	56	+2
Anglo Am Coal	39	.....
Anglo Am Corp	25	−0.25
Anglo Am Gold	171.35	+0.25
Barclays Bank	14.25	+0.5
Barlow Rand	10.45	−0.07
Buffels	80.5	−0.5
CNA Gallo	2.4	.....
Currie Finance	3.50	.....
De Beers	9.97	−0.18
Driefontein	53	−0.75
FS Geduld	63.5	−2
Gold Fields SA	32.25	−0.5
Highveld Steel	3.85	−0.1
Nedbank	9.5	+0.15
OK Bazaars	13.5	+0.3
Protea Hldgs.	1.4	+0.05
Rembrandt	33.25	.....
Rust Plat	18.25	.....
Safren	14.25	+0.25
Sage Hldgs.	6.9	.....
SA Brews	6.56	+0.05
Smith (AG)	21	.....
Tongaat Hulet	6.15	+0.05
Unisec	4.85	.....

LONDON STOCK EXCHANGE

MARKET REPORT

Gilts slip with sterling but equity leaders attempt to pull out of seven-day decline

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22
Apr 15	Apr 25	Apr 26	May 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

The recent pattern of trading in London stock markets was reversed yesterday. Blue chip shares made a determined attempt to pull out of the previous seven-day decline, but Government bonds parted with some of their post-budget gains. Sterling was again the key influence on market sentiment. Its easier trend against both the dollar and major Continental currencies encouraged revived interest for international stocks but discouraged fresh overseas demand for Gilt-edged securities.

The latest pointers to UK economic growth, including a prediction of 4 per cent this year by the Confederation of British Industry, were noted although the effects were muted by concern over the correct level of UK interest rates. Two of the four main clearing banks have yet to follow the lead set last week by NatWest and Lloyds, and reduce their base lending rates to 13 per cent.

Traders displayed little urgency to open new trading positions ahead of the Easter holiday and volume naturally fell short of last week's standards. Activity continued in special situation stocks, while weekend Press recommendations brought some response from investors. Most price movements were currency-inspired, however, the prime example being ICI which rallied from 746p on a combination of domestic and U.S. bear-covering to close hardly changed on balance at 758p.

Closing movements in both the FT Ordinary share index and FT-SE 100 share index were insignificant with the former 0.5 down at 963.8 and the latter 1.3 up at 1,278.3.

Currently dominated by movements in the exchange rate, Gilt-edged securities moved lower. Sporadic profit-taking from overseas sources met little resistance and longer maturities drifted back to settle ½ lower in places. Domestic cash shortages continued and following the authorities' latest £750m funding, announced late on Friday, the market appeared adequately supplied with stock. No bids were made for supplies of either the £250m tranche of Exchequer 10½ per cent 1997 or the £500m tranche of Conversion 9½ per cent 2004.

Windsor Secs. jump

Windsor Securities highlighted a firm Insurance sector, rising 10 to 60p, after 62p, on the announcement that Lander Investments had increased its stake in the Lloyd's broker to nearly 11 per cent. Sedgwick firmed 5 to 384p following the annual report, while Stewart Wrightson put on the same amount at 612p ahead of today's preliminary results. Reed Stenhouse, at £12¾, retrieved ⅞ of Friday's decline of 1¼ which followed a Press suggestion that the company is renegotiating merger terms with Alexander and Alexander of the U.S. Composites made useful progress in reply to Press comment. Ahead of tomorrow's preliminary statements, Sun Alliance gained 5 to 475p and GRE added 7 to 692p. Royals also rose 7 to 592p and General Accident firmed 4 to 600p. Among Life issues, London and Manchester advanced 15 to 720p, while Prudential, 610p, and Sun Life, 822p, rose 8 and 9 respectively.

Clearing banks staged a modest technical recovery after last week's weakness on Latin American debt uncertainties. NatWest put on 7 to 625p and Barclays 5 to 585p. Elsewhere, Royal Bank of Scotland rallied 4 to 274p.

Dealings started in two newcomers, Associated Steel Distributers and New London Oil. The former, quoted in the USM market, began life at 165p compared with a placing price of 155p. Fully-listed New London Oil opened at around 200p and, after a fairly brisk early trade, settled at 210p against a placing price of 175p.

A rather quiet trading session in the Building sector left quotations showing small mixed movements at the close. Watts Blake Bearne, reflecting satisfactory preliminary results and a proposed one-for-five scrip issue, improved 4 to 247p. Weekend Press mention stimulated interest in Manders, 4 higher at 177p, and Benford, a penny dearer at 66p.

In Chemicals, Alida Holdings featured a jump of 14 to 186p following good annual results, while H. Cory were noteworthy for a gain of 3 to 47p.

Mail-orders nervous

The threatened disruption to postal services unsettled Mail-orders. Freemans, which revealed excellent preliminary figures early last week, dipped 8 to 198p, while similar losses were evident in Grattan, 170p, and Empire, 98p; the last-mentioned is scheduled to announce full-year results today. Press comment highlighting asset values and takeover potential stimulated constant inquiry for Bentalls which advanced 24 to 87p; Courts A, 112p, and Cantors A, 80p, also responded, while Martin Ford, buoyant of late following similar mention, attracted "call" option business and hardened a couple of pence to 41p. French Connection, extremely depressed last week, following a broker's downgraded profits forecast, rallied 13 to 273p, while Home Charm, still benefiting from a recent recommendation, advanced 8 more to 300p.

Early interest among leading Stores centred on Debenhams, which touched 218p before closing only 3 up on balance at 215p, following Press suggestions of a bid from Harris Queensway, unchanged at 188p.

Thorn EMI, 12 better at 408p, regained composure after last week's fall of 34 which followed a broker's bearish circular. Other Electrical leaders, however, drifted slightly lower. Further cautious comment ahead of the 40p call, due on the shares in June, left British Telecom a penny lower at 140p. GEC eased 2 to 184p as did Plessey, to 190p. Elsewhere, Oceanics swung wildly in active trading following the move whereby founders, Messrs Aird and Allen, have put the company up for sale to a suitable cash-rich bidder; the shares advanced to 170p but retreated to 130p and fell further after-hours to finish 25 down on balance at 115p. Rotaflex fell 8 to 180p following the annual results, while Microgen came on offer at 320p, down 20. Microvitec jumped 8 to 78p in response to Press comment and Chloride hardened a couple of pence to 36p for the same reason. Energy Services rose 6 more to 96p awaiting further developments in the bid situation.

With the exception of Vickers, which improved 7 to 253p on currency influences, movements in the Engineering leaders were insignificant. Elsewhere, Laird Group responded to satisfactory annual results with a rise of 9 to 170p, while the preliminary figures and proposed one-for-two scrip issue left Spirax-Sarco 4 to the good at 276p. Camford, reflecting favourable Press mention, edged up 1½ to 35½p, but Planet Group eased 2 to 80p following the full-year statement. Helped by reports of a surge in machine tool orders, Jones and Shipman improved 2½ to 72p and TI 4 to 242p. Elsewhere, bid hopes left Birmid Qualcast 2½ dearer at 85p.

Leading Foods displayed no set trend after a moderate turnover. J. Sainsbury added 4 at 314p, but Rowntree Mackintosh softened a couple of pence to 408p. Elsewhere, Albert Fisher rose 6 to 130p as buyers began to show increased interest ahead of the interim results, scheduled for April 10.

Prince of Wales Hotels fell 12 to 100p on news that Taddle Investments had placed its entire 51 per cent stake in the company with various institutions at around 85p per share.

Geo. Wills advance

Leading miscellaneous industrials traded quietly and ended the day on a slightly easier note. Elsewhere, George Wills, reflecting further consideration of the preliminary figures, advanced smartly to close 20 higher at 151p. Pearson traded firmly at 705p, up 12, following acquisition news; the preliminary statement is due today. On the other hand, Christies International, also awaiting annual results today, gave up 9 at 596p. Buying in a limited market prompted fresh firmness in Courtney Pope, which advanced 20 to 355p, while Stocklake were supported and put on 8 to 143p. Weekend press mention stimulated a rise of 4 to 84p in Dominion International. Cookson rallied 10 to 565p ahead of Wednesday's preliminary statement, while Associated British Ports, scheduled to report annual results the same day, edged up a few pence more to 347p.

Jaguar, a beleaguered market recently reflecting sterling's buoyant performance against the dollar, rallied 5 to 300p. Conditions elsewhere in Motor sectors were extremely subdued, although Kwik-Fit rose 3 to 35p following favourable comment. Dealings in Manor National were suspended at 12½p pending an announcement.

A couple of noteworthy features emerged among advertising agencies and related counters. Saatchi and Saatchi improved 15 to 590p after winning the UK account for the McDonalds hamburger restaurant chain. Valin Pollen closed a similar amount to the good at 455p following the acquisition of Dutch corporate communications group Thomas and Kleyn. Lowe Howard-Spink were also wanted and firmed 10 to 288p, while a press mention lifted Aidcom International, 3 to 105p. In contrast, Howard and Wyndham slumped 10 to 40p, albeit in a thin market.

Slough Estates gained 5 to 135p on consideration of the £46½m property revaluation surplus announced with the annual results. Elsewhere in a quiet Property sector, Stock Conversion rallied 5 to 453p.

Continuing speculation of a bid from P & O — fuelled by the weekend Press — lifted Ocean Transport 4 more to 187p; P & O were unchanged at 345p. Elsewhere in Shippings, liquidation of speculative positions clipped 3 from Reardon Smith, at 24p, while the A shares were similarly cheaper at 12p. Lyle, however, hardened a couple of pence to 17p; the Bank of Scotland now controls 6.35 per cent.

Textile movements were generally confined to the more speculative issues. R. Smallshaw advanced 4 to 47p following a newsletter tip, while occasional interest was forthcoming for Atkins Bros, 6 up at 134p. Albert Martin, annual results due tomorrow, hardened 2½ to 57p, but sellers predominated in Robert H. Lowe, 4 off at 20p.

Tricentrol up again

Dealers reported a disappointing level of activity in leading oils which eased early on before staging a minor recovery in the late afternoon. Shell were finally 8 better at 714p, aided by the rise in the dollar against sterling but BP ended the day a couple of pence easier at 537p, after 535p.

Weekend press comment on the near-5 per cent stake held by Akroyd and Smithers and the possibility of an imminent takeover bid by Enterprise Oil continued to direct attention to Tricentrol which rose 5 more to a year's high of 238p.

Second-line issues were featured by Petrolex which jumped 8 to 83p, after a 1984-85 high of 84p reflecting the profits recovery detailed in the defence document to the 75p cash bid from Clyde Petroleum; the latter hardened 2 to 97p.

Golds lower

The dollar's rally halted the four-day rise in mining markets, in particular South African Gold shares. Bullion opened on an easier note and continued to lose ground throughout the session prior to closing a net $8.875 off at $321.125 an ounce.

The Gold Mines index gave up 7.7 to 507.5.

Among the leading heavyweight Golds, Vaal Reefs were a notable weak spot and retreated to close £3¼ off at £78½, while falls of around a point were common to President Brand, £22½ and President Steyn, £25½. One or two features emerged in the cheaper-priced issues. South African Financials showed minor changes in either direction but London-domiciled issues were highlighted by marked weakness in Rio Tinto-Zinc which slipped back to close 12 down at 648p ahead of preliminary results expected around the middle of this month.

Australians traded quietly until mid-morning when the gradual weakening of the bullion price prompted a flurry of selling pressure. In Golds Central Norseman fell away to close 15 cheaper at 403p, Gold Mines of Kalgoorlie dipped 10 to 420p and Poseidon 7 to 211p. North Kalgurli lost 3½ to 41p, CRA were a vulnerable market among leading diversified issues and gave up 10 to 336p while Western Mining fell 6 to 223p, and Peko-Wallsend 6 to 226p.

Lackluster conditions prevailed in Traded Options. Total contracts struck amounted to a meagre 3,985.

FINANCIAL TIMES STOCK INDICES

	Apr. 1	Mar. 29	Mar. 28	Mar. 27	Mar. 26	Mar. 25	year ago
Government Secs.	80.95	81.21	81.10	81.06	80.78	80.74	83.02
Fixed Interest	85.49	85.53	85.57	84.68	84.63	84.54	86.73
Ordinary	963.8	964.3	976.1	979.3	982.0	989.9	870.8
Gold Mines	507.5	515.2	506.3	502.1	500.3	499.7	651.3
Ord. Div. Yield	4.70	4.71	4.64	4.64	4.61	4.57	4.39
Earnings, Yld.% (full)	11.71	11.70	11.53	11.52	11.42	11.33	9.86
P/E Ratio (net) (*)	10.41	10.43	10.58	10.59	10.68	10.75	12.20
Total bargains (Est.)	29,777	25,513	26,687	26,966	26,697	27,782	30,502
Equity turnover £m.	—	336.41	456.00	369.39	342.83	288.93	270.93
Equity bargains	—	22,597	23,527	24,008	24,386	26,119	28,948
Shares traded (ml)	—	187.5	237.7	191.2	184.8	166.5	161.6

10 am 963.8. 11 am 964.5. Noon 964.3. 1 pm 964.3.
2 pm 964.3. 3 pm 965.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.06.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Mar. 29	Mar. 28
Govt. Secs.	83.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	148.6	171.1
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	146.4	162.4
					Equities Value	677.9	921.7
Ordinary	1024.5 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)	5-day Average Gilt Edged Bargains	155.5	158.6
Gold Mines	711.7 (9/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	156.3	164.1
					Equities Value	724.6	756.4

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (59)

BRITISH FUNDS (1)
Treas. 3pc 1985

BANKS (1)
Copenhagen H'banken

BREWERS (2)
Brown (Matthew) Vaux

BUILDINGS (1)
Watts Blake Bearne

CHEMICALS (3)
Alida Wolstenholme Rink
Cory (Horace)

STORES (7)
Beattie (J.) A Home Charm
Bentalls Ratners
Bremner Stirling Group
Cantors A

ELECTRICALS (5)
Downding & Mills Telecomputing
Energy Services VG Instruments
Scholes (G. H.)

ENGINEERING (9)
Braham Millar Metalrax
Brasway 600 Group
Laird TACE
Lloyd (F. H.) Williams Hldgs.
Meggitt

INDUSTRIALS (7)
Appledore (A. & P.) Sale Tilney
CVD Inc. Siebe
Copeo Altman Wade Potteries
Courtney Pope

INSURANCE (1)
Windsor Secs.

LEISURE (3)
First Leisure Television Services
President Entertains.

PAPER (1)
Valin Pollen Intl.

PROPERTY (4)
Land Investors Priest Marians
Lond Edinburgh Tst. Rosehaugh

SHIPPING (1)
Ocean Transport

SHOES (1)
Lambert Howarth

TEXTILES (4)
Foster (John) Illingworth Morris
Smallshaw (R.) Do. A

TRUSTS (4)
English Intl. Wts. Intl. Inv. Tst. Jersey
Comprhnsv. Fin. Serv Parambe

OILS (3)
Highland Participts. Tricentrol
Petrolex

MINES (1)
Cons. Modderfontein

NEW LOWS (11)

ELECTRICALS (1)
Chuang's

ENGINEERING (1)
Ash & Lacy

INDUSTRIALS (4)
Bardsey CSR
Bespak Clarke (Clement)

PAPER (1)
Addison Page

PROPERTY (1)
Cons. Tern Invs

TRUSTS (1)
Newmarket

OILS (1)
Edinburgh Oil & Gas

OVERSEAS TRADERS (1)
Mesco Invs.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Woolworth	22	780	+33
Glaxo	19	£10⅞	− ¼
ICI	18	781	−12
Delta Group	16	155	+ 7
Brit Aerospace	15	423	+ 9
Prudential	15	602	− 8
BTR	13	685	− 7
Beecham	13	365	− 7
Brit Telecom	13	141	− 3
Cable & Wire	13	505	−10
Legal & Gen.	13	680	−15
Lonrho	13	177	+ 6
Shell Trans	13	706	+ 6
BAT Inds	12	323	− 3

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Assoc. Steel Dist.£1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	BTS 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Bedford (William)5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Crown Int'l.Prod10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Cullen's Hldgs 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	German Smal. Wrnts.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Hillsdown Hldgs. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Laidlaw Thomson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mann 20p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mayhew Foods 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	New London Oil 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Pacific Assets Tst.50p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Do. Ser. 1 Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	P.&O. Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Pope 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Plantation Tst Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	REA Warrants	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sangers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Sims Catering 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Synapse Comp'r. 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −
8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
178	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
225	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A$2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
246	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
238	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
185	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
A$0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
190	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
315	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
158	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ⊕ Figures or report awaited. ‡‡ Units comprising 5 Ord., 1 Warrant and £2.50 nominal of conv. stock.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Apr 1	Apr 19	July 11	July 22
Apr 22	May 3	July 25	Aug 5
May 7	May 17	Aug 8	Aug 19

For rate indications see end of Share Information Service

Money was given for the call of Barratt Developments, New London Oil, Sound Diffusion, Star Computer, Alpine Soft Drinks, Norfolk Capital, Oceonics, Tranwood, Falcon Resources, Martin Ford, Southwest Resources, Sellncourt, John Brown, Berkeley Exploration and Production, Duport, Westland, North Kalgurli, Charter Consolidated, Marks and Spencer, Castle (GB), Amstrad Consumer Electronics, FKI, A. F. Bulgin, Bardsey, Inter-City, Cifer and Dufay Bitumastic. No puts were reported, but a double option was struck in Amstrad.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	76	22
Corpns Dom & Foreign Bonds	9	5	60
Industrials	270	293	882
Financial & Props.	141	83	320
Oils	22	32	70
Plantations	3	3	11
Mines	25	58	97
Others	113	24	80
Totals	597	574	1,542

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
AAH	142	− 7
Bentalls	87	+24
Brown (Matthew)	443	+ 1
Bullough	251	−22
ICI	758	− 3
New London Oil	210	—
North Kalgurli	41	− 3½
Ocean Transport	187	+ 4
Oceonics	115	−25
Rotaflex	180	− 8
Shell Transport	714	+ 8
Television Services	235	+12

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon April 1 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Fri March 29 Index No.	Thur March 28 Index No.	Wed March 27 Index No.	Tues March 26 Index No.	Year ago (approx.) Index No.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon April 1	Day's change %	Fri March 29	xd adj. today	xd adj. 1985 to date	AVERAGE GROSS REDEMPTION YIELDS	Mon April 1	Fri March 29	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

‡ Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

● Corrected figures for 29/3/1985.

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$340	—	—	28	14.50	1	27	$321.40
GOLD C	$360	—	—	40	9	4	19	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACT: 21,392

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*540)	460	85	97	110	1½	4	9
	500	50	60	75	5	8	20
	550	15	28	42	23	30	38
	600	4	16	27	65	68	75
Cons. Gold (*527)	460	75	87	100	1½	6	10
	500	36	50	65	10	20	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*183)	160	30	35	—	3	4	—
	180	14½	21	26	7	13	16
	200	8	15	18	20	27	33
	220	3	7	11	39	45	48
LASMO (*348)	300	55	63	—	4	7	—
	330	33	45	55	12	18	22
	360	20	32	43	27	33	38
	390	11	20	30	55	58	63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Apr. 1. Total contracts 3,985. Calls 2,856. Puts 1,129.
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
98	93	Treas 3pc 1985	98	+	3.04	13.26
102⅞	99	Treas 11½pc 1985	99½	−	11.56	13.17
99¼	96	Treas 8¼pcCnv '85	98⅝	−	8.89	12.63
104	99	Exch. 12½pc 1985	99⅞	−¼	12.27	12.34
103	99	Exch. 11¾pc '86	99	...	11.76	11.77
102	96	Treas. 10pcCnv 1986	98⅜	+	10.17	11.75
94	88¼	Treas 3pc 1986	93½	−	3.21	9.18
102	96¼	Exch. 10½pc Cv '86	98	.....	10.65	11.88
104	99	Treas 12pc 1986	100	−	12.00	11.94
98¼	93½	Treas 8¾pc 1984-86‡‡	96	+	8.83	11.68
108	102	Exch. 14pc 1986	102 xd	−	13.60	11.93
89¼	85	Exch. 2½pc 1986	89¼	+¼	2.80	9.74
107	100	Exch. 13¼pc 1987	102	−	12.95	11.74
100⅞	94½	Treas 10¼pcCv '87	97⅛	−	10.53	11.83
87¼	83⅜	Exch 2½pc 1987	87¼	+¼	2.85	9.71
101	94½	Exch. 10½pc 1987	97 xd	−⅛	10.72	11.68
92¼	87	Funding 6½pc '85-87‡‡	91½ xd	+¼	7.10	11.22
99⅝	92⅞	Treas. 10pc 1987	96	...	10.34	11.72
86¼	81	Treas 3pc 1987	86¼	+	3.48	9.87
105	97⅛	Treas. 12pc 1987	100 xd	...	11.92	11.69
94⅞	87	Treas 7¾pc 1985-88‡‡	92	.....	8.42	11.11
100¼	92	Exch 10½pc '88	97	+	10.80	11.60
98	89	Treas 9¾pc Cv '88	94	..	10.27	11.67
83½	77	Transport 3pc '78-88	82⅞	−⅛	3.62	9.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
75	31	♥Anglo Utd. Dev	38	+1	—	—	—
410	156	♥Centennial Min'ls	205	+5	—	—	—
175	70	♥Colby Res Corp	120	......	—	—	—
955	450	Cons. Murch. 10c	450	......	†Q100c	1.4	10.8
40	25	♣Essex Int. 1r10p	36	+2	—	—	—
252	150	Hampton Areas 10p	197	......	3.75	2.1	2.6
260	140	♥Highwood Res	192	+2	—	—	—
£24½	£16	Homestake Mining $1	£21⅞	+1	Q20c	—	0.8
310	135	♥McFinley Red Lake	275	+10	—	—	—
300	101	♥Musto Explorations	278	–10	—	—	—
55	23	♥New Sabina Res C$1	50	–2	—	—	—
365	220	Northgate C$1	290	–15	—	—	—
718	500	RTZ	648	–12	†18.0	2.7	4.0
£159½	£113½	Do. 9½pcLn '95-2000	£142½	–½	Q9½%	35.4	6.8
£13½	850	♥Tara Expln $1	£12½	+¼	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102	......	Arnott	178	......
Craig & Rose £1	£10	......	CPI Hldgs	57	......
Finlay Pkg. 5p	62	......	Carroll Inds.	109	......
Higsons Brew	118	......	Dublin Gas	52	......
Holt (Jos) 25p	790	......	Hall (R. & H.)	47½	–½
IoM Stm. £1	125	......	Heiton Hldgs.	16½	......
IRISH			Irish Ropes	99	......
Exch. 12% 1985	£99¼	......	Jacob (W.& R.)	65	......
Nat. 9¾% 84/89	£86¾	......	TMG	115	......
Fin. 13% 97/02	£95	......	Unidare	84	......

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	30	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60		
Babcock	14	'Imps'	18	Brit Land	12
Barclays	48	Jaguar	28	Cap Counties	18
Beecham	32	Ladbroke	24	Land Secs	25
Blue Circle	45	Legal & Gen	50	MEPC	28
Boots	15	Lex Service	28	Peachey	22
Bowaters	20	Lloyds Bank	45	Samuel Props	14
Brit Aerospace	33	Lucas Inds.	25	**Oils**	
Brit. Telecom	11	Marks & Spcr	11		
Brown (J.)	3	Midland Bk	30	Brit. Oil & Min	4
Burton Ord	39	NEI	8	Brit Petroleum	42
Cadburys	14	Nat West Bk	60	Burmah Oil	18
Comm Union	19	P & O Dfd	36	Charterhall	6
Courtaulds	12½	Plessey	17	Premier	5
Debenhams	17½	Polly Peck	26	Shell	60
Distillers	28	Racal Elect	18	Tricentrol	18
Dunlop	6	RHM	11	Ultramar	19
FNFC	8½	Rank Org Ord	32	**Mines**	
Gen Accident	45	Reed Intnl	50		
Gen Electric	17	Sears	8	Charter Cons	18
Glaxo	85	TI	20	Cons Gold	44
Grand Met	25	Tesco	20	Lonrho	14
GUS 'A'	60	Thorn EMI	35	Rio T Zinc	56
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

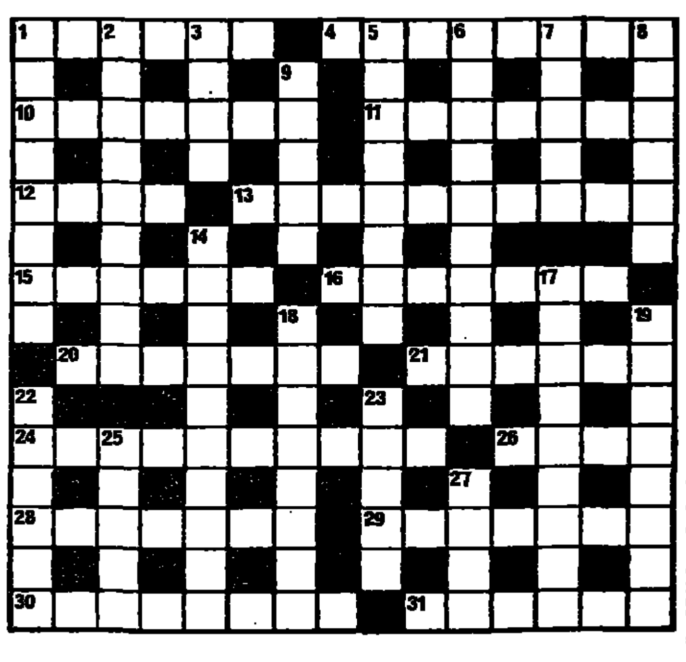
"Recent Issues" and "Rights" Page 39

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,684



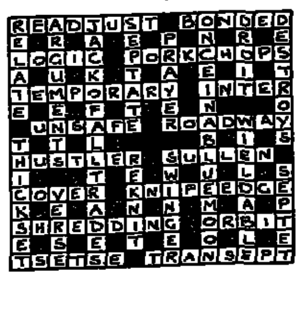
ACROSS

1 Air force (6)
4 Game — big brace maybe (8)
10 Pay back the holiday money (foreign) (7)
11 Church cutting supply for a man in the field (7)
12 A number can end in E (4)
13 French place serving ale—quite awful! (10)
15 Challenged if brought back into action (6)
16 Poseidon took it in hand (7)
20 An artisan's evening work (7)
21 Monster carnival occupying university authority (6)
24 Improvement made in note design (10)
26 Get moving! (4)
28 Charles the Tenth's discipline (7)
29 Business undertaking giving rise to anxiety (7)
30 Like retired churchman need made depressed (8)
31 One will be carried away by it in the end (6)

DOWN

1 Sing a note inside undisturbed (8)
2 Doctoring left nurse feeling bitter (9)
3 Press club (4)
5 Saves people wandering round the city (8)
6 A non-drinker went ahead and stood outside creating a racket (10)
7 A skinhead having female following though wooden (5)
8 Eastern king with character —way out! (6)
9 Listened to the sound of the cattle (5)
14 *Possibly* end a better woman (10)
17 Dark clothing (9)
18 Trendy attitude for example (8)
19 Access taken here! (8)
22 They may well surround receivers (6)
23 A sort of grass bed (5)
25 Some cruel and heartless beast (5)
27 No longer on the establishment. (4)

Solution to Puzzle No. 5.683



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210
Fund Managers, Touche Remnant & Co

Bal Sec A	27.4	28.9		
Managed	20.6	21.7		—
Equity	16.0	17.5		—
Dist Gwg.	22.6	23.8		—
Special Sits	24.4	25.7		—
International	27.9	29.4		—
American	21.5	22.7		—
Pacific	21.4	22.6	...	—
Property	17.1	18.0	...	—
Fixed Yield	19.7	20.8		—
Index Linked Secs.	11.2	11.8	...	—
Int Currency	13.4	14.2	...	—
Deposit	16.1	17.0	...	—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.83	15.58	...	—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Mult Gwth Mar 6		£315.369	......	—
Mult Gwth "A" Mar 6	282.9	297.8	......	—
Op 5 Prop Mar 14	264.9	278.9	......	—
Op 5 Equity April 1	389.5	410.0	-0.6	—
Op 5 Fl March 28	270.9	285.2	......	—
Op 5 Man Mar 28	353.4	372.0	......	—
Op 5 Dep Apr 1	203.8	214.6	+0.2	14.62
Op 5 Bond Mar 28	178.8	188.3	......	—
Op 5 Inc Dist Mar 28	145.1	152.8	......	8.79
Op 5 Int Man Mar 28	202.7	213.4	......	—
Op 5 USS Mar 28	144.2	151.8	......	12.12
Pens 5 Py Ac Mar 31	353.6	372.2	......	—
Pens 5 Eq Ac Mar 31	1,119.3	1,1178.3	......	—
Pens 5 FI Ac Mar 31	403.5	424.8	......	—
Pens 5 Md Act Mar 31	636.9	670.5	......	—
Pens 5 Dp Acc Mar 31	329.7	347.1	......	—
PensB/Gart Cldur Mar 31	111.5	117.4	......	—
Pens 5 Gart NA Mar 31	97.9	103.1	......	—
PensB/GartP Mar 31	120.0	126.4	......	—

For Pension Capital Units please ring ext 2396 or 2361.

Britannia Funds—Series A

Am Smlr Co's	132.1	139.1	...	—
Am Spec Sits	152.6	160.7	-0.8	—
Commodity	82.7	87.1	+0.6	—
Extra Inc	115.9	122.1	-4.0	—
Far East	114.0	120.0	-0.3	—
Fl Secs	159.1	167.5	-1.6	—
Gold & Gen	82.5	86.9	+1.4	—
Inc Growth	164.0	172.7	+0.1	—

National Provident Institution
48 Gracechurch St, EC3P 3HH. 01-623 4200

Managed	202.7	213.4	+0.1	—
UK Equity	236.1	248.6	-0.5	—
Overseas Eq	195.1	205.0	+1.4	—
Americas	198.5	209.0	+1.7	—
Far East	171.3	180.4	+0.7	—
Property	113.8	119.8	...	—
Fixed Int	163.4	172.0	-0.1	—
Indexed Gilt	107.2	112.9	...	—
Deposit	115.7	121.8	+0.1	—

Pension Fund Prices

Man. Initial	204.0	214.8	+0.3	—
Man Acc.	228.7	240.8	+0.4	—
UK Eq. Initial	222.1	233.9	-0.2	—
UK Eq.	246.7	259.7	...	—
Overseas Eq. Initial	217.3	228.8	+1.8	—
Overseas Eq.	251.8	265.1	+2.2	—
American Initial	222.0	233.7	+2.5	—
American	246.6	259.6	+2.9	—
Far East Initial	213.8	225.1	+1.1	—
Far East	238.0	250.6	+1.3	—
Prop. Initial	109.4	115.2	...	—
Prop.	121.5	127.9	...	—
Fixed Int. Initial	147.6	155.4	-0.1	—
Fixed Int.	163.3	171.9	...	—
Indexed Gilt Initial	100.4	105.7	...	—
Indexed Gilt	111.5	117.4	...	—
Deposit Initial	114.6	120.7	+0.1	—
Deposit	127.8	134.6	+0.2	—

NPI Pensions Management Ltd.

Managed Fund	560.4	574.8	......	—

Prices March 1. Next dealing April 1

New Zealand Insurance PLC
110/114, Barter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	375.3	386.9	...	—
UK Equity	173.4	182.5	+0.1	—
American	255.2	268.6	+0.8	—
Pacific	371.0	390.6	+0.7	—
Property	154.4	162.8	...	—
Gilt	177.0	186.4	-0.1	—
High Inc. Equity	165.0	173.7	-0.3	—
High Inc. Fxd. Int.	107.7	113.4	-0.2	—
Deposit	151.5	159.4	...	—
Index-Linked Gilt	104.8	110.4	...	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 622200

NUIG (Managed Funds) Ltd.

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.96	—	+0.30	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.8	13.4	...	3.10
Chinese Fund	58.2	60.4	...	1.70
Precious Metal Fund	67.3	70.1	...	8.30
Vanguard Cmdy. Fd.	19.3	19.8	...	0.00
Financial Futures Fd.	32.1	33.5	...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$8.72	—	...	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	13.77	14.37	6-mth	Call
7-day Fnd	14.23	14.87	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.64	14.19	6-mth	Call
7-day Fund	14.23	14.73	6-mth	7-day
Dollar	7.87	8.02	6-mth	2-day
Money Mngt. Acc.	13.50	14.19	3-mth	Call

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.50	14.20	Qtr	Call
Mth. Int. Chq.	13.25	14.09	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.00	13.80	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.00	13.80	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.50	14.37	Mth	Call
U S Dollar	8.0	8.330	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.115	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	11.0	11.47	Qtr	Call
Over £1,000	13.00	13.66	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14.20	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.00	13.80	Mth	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	13.25	13.60	Half-yrly	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.50	14.40	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq.	13.04	13.69	Qtr	Call
Provincial Trust (formerly Chonlartons)				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mth	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	12.48	13.30	Daily	Call
Premier Acc.	12.48	13.30	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.09	13.74	Qtr	Call
Money Acc.	13.37	14.08	Qtr	Call
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.50	14.37	Mth	Call
Over £10,000	13.75	14.65	Mth	Call

Notes. CAR = compounded annual rate. Int Cr = frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. Φ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

London tea values at lowest level in 18 months

By Our Commodities Editor

THE DECLINE in tea prices continued at the London auctions yesterday with values slipping to the lowest levels for nearly 18 months. The indicative price for medium quality teas was cut by 8p to 224p a kilo and low medium quality teas by 10p to 178p a kilo.

Traders said the auctions continued to be depressed by a surplus of supplies, particularly of plain (low medium) teas. India was exporting more than expected earlier in the season and there were record crops in African tea-producing countries following excellent rains. While demand is reported to be still good for bright, liquoring teas, there was a lot of unwanted plain tea around that is marked down in price each week.

The London Tea Brokers Association said there were 43,247 packages on offer at yesterday's sale, including 12,600 packages in the offshore section.

Assams met with a limited enquiry and lost 10p to 14p with a number of withdrawals. Bangladesh teas were generally 10p to 15p lower with poorer qualities neglected. Africans started 5p to 15p easier but closed 15p to 20p lower with plainer teas unwanted and mainly withdrawn. A few better quality Ceylons sold well but mediums were irregular and often 10p easier. Offshore teas attracted limited demand, except for brighter descriptions which were firm. Others, were sold, shed 10p to 15p.

● Colombo—India's decision to reduce its minimum tea export prices will further depress Sri Lankan tea prices, Colombo tea broker Eastern Brokers said reports Reuter.

It noted in a market report that India has cut minimum export price to 31 rupees per kilo from Rs 35.

Average prices at the Colombo auction had fallen Rs 12 a kilo since February, it said.

Trade sources said the decline was due to oversupply on world markets.

Zinc producers lift European selling prices

BY JOHN EDWARDS, COMMODITIES EDITOR

ZINC PRODUCERS lifted their European selling prices yesterday, but to different levels. Metallgesellschaft, of West Germany, started the ball rolling by increasing its producer price from $925 to $950 a tonne and Billiton quickly followed, raising its price to $960. It is now up to other producers to see which way they jump.

In February they took the cautious approach and plumped for a rise to $925 (from $900) although some producers announced an initial increase to $940. This time the "hawks" are expected to win the day and back Billiton's move to $960. Last night two other companies, Noranda of Canada and Penarroya of France put their prices up to $960.

According to producers, there is a genuine shortage of zinc supplies on both sides of the Atlantic at present. Persistent buying by China and the Soviet Union, as well as good demand in Europe and the U.S., has reduced stocks held by producers to a very low ebb.

A scarcity of nearby supplies, especially for delivery just before Easter, helped push the cash price of standard grade zinc up by £32 to £790.5 a tonne on the London Metal Exchange yesterday. The three months price gained £17.75 to £736.5 partly reflecting the easier trend in sterling, but also signs that the "squeeze" on supplies available to the market is now extending to delivery dates after the Easter holiday too.

The weaker trend in sterling brought a generally firmer trend in other base metals.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending Mar. 29)

	(tonnes)
Aluminium	−2,825 to 116,175
Copper	−3,475 to 89,500
Lead	−2,175 to 49,300
Nickel	−156 to 5,550
Tin	+146 to 21,140
Zinc	−350 to 32,925
	(ounces)
Silver	+186,000 to...53,898,000

EEC to prosecute Britain over ban on milk imports

BY IVO DAWNAY IN LUXEMBOURG

THE EUROPEAN Commission is to press ahead with legal action against Britain's ban on imports of fresh pasteurised milk from the Continent as an unwarranted restriction on trade.

Dairies fear, however, that if the UK loses on fresh milk it will be flooded with cheap imports from the Netherlands and France, resulting in the death of doorstep deliveries and lower overall consumption.

The Ministry of Agriculture said yesterday it would fight the action on the grounds that Continental milk fails to meet Britain's rigorous health standards.

Two years ago, the Commission successfully prosecuted Britain for similar restrictions on ultra heat treated (UHT) milk, though subsequent imports have had little impact in the UK market.

The case has been expected following a ruling by the Commission's legal staff last December which found the ban to be a prima facie breach of Community rules on the free exchange of farm goods.

Technically imports are not banned, but face treatment and rebottling regulations that make importing uneconomic.

Britain will argue in court that it is seeking to regularise the position in talks on common dairy hygiene standards that have dragged on without agreement since 1968. The court case is expected to take a year.

World sugar stocks forecast to rise again

By Richard Mooney

WORLD SUGAR stocks, already at about 38m tonnes, or nearly five months' consumption, are likely to rise another 2.14m tonnes this year, according to the latest estimate from C. Czarnikow, the influential London trade house.

In the March edition of its sugar review, Czarnikow puts 1984-85 world production at 98.45m tonnes, up from 96.24m estimated in its November review. The 1985 consumption figure is now estimated at 96.31m tonnes, compared with 96.06m in the November review.

The increased production estimate, which reflects a general improvement in crop prospects, is no great surprise to the market. Traders have been steadily upgrading their output projections in recent months.

Czarnikow expects world supply to fall short of demand next year, but only by about 1m tonnes. It warns, moreover, that this prediction is extremely tentative at this stage. At this time last year most analysts expected 1985 consumption to exceed 1984-85 production by 1m or 2m tonnes.

● INDIA'S sugar exports are expected to fall to 156,000 tonnes in the year to September from 814,000 in 1983-84, Mr P. A. Sangma, Minister of State for Commerce, told Parliament. The expected decline was due to low sugar carryover stocks, increased domestic consumption and a steep fall in output during 1983-84, he said.

● INDIA will sell 170,000 tonnes of iron ore to China in the year to March 31 1986, and 2m tonnes each in 1986-87 and 1987-88, a government trade official said.

● UK intervention grain stocks passed 4m tonnes in the week ending March 30, the Home Grown Cereals Authority said.

● THE AGRICULTURAL Mortgage Corporation has cut the interest rate on all new variable rate loans from 15.5 per cent to 15 per cent to reflect the recent reduction in market rates. Rates for existing variable rate borrowers will be reviewed on June 1.

Hybrid varieties offer the promise of yet higher yields

Wheat set to reap benefits of good breeding

BY A CORRESPONDENT

WHILE BRUSSELS officials and agriculture ministers grapple with the problem of the EEC's grain mountain, plant scientists are bending their minds to the creation of yet higher yielding varieties of cereals.

Over the past 20 years UK wheat yields have increased from under 4 tonnes per hectares to a record 7.6 tonnes per hectare last harvest. It is estimated that more than 60 per cent of the increase was the result of improved varieties.

There is every sign that this improvement in the genetic base of the cereal crop will continue and even accelerate.

A clutch of new varieties combine excellent yield with much higher grain quality.

Already there are new varieties of wheat being prepared by seed merchants for release to farmers over the next two sowing seasons. These will raise standards dramatically.

In the longer term, new techniques are being employed by breeders which promise a quantum leap in both yield and quality of cereal varieties.

Much of the breeding work which has made winter wheat so attractive to British farmers has been done at the state-run Plant Breeding Institute in Cambridge. A highly successful programme there produced, in 1972, the variety Maris Huntsman, offering a previously unheard of 14 per cent yield advantage over the standard varieties of the day.

It is a sign of plant breeders' success that today Maris Huntsman has been replaced by a new generation of varieties. Their secret is a shorter, stiffer straw better able to cope with the modern farming regime of high fertiliser inputs.

Those varieties are now under threat from another clutch of wheats which combine their excellent yield with much higher grain quality.

Next autumn farmers drilling the new wheats, Brimstone and Moulin, will be able to grow a milling wheat crop which yields as well as a crop of feed wheat. The older bread-making types carry a yield penalty of at least 5 per cent.

In barley, however, the plant breeding progress has been much les marked; apart from some quality improvements, breeders seem to have reached a plateau. The implication is clear: other things being equal, wheat (the main surplus grain in Europe) will prove increasingly attractive to farmers in comparison to barley.

But progress in conventional plant breeding is only half the story.

An increasingly close working relationship between breeders and chemical companies is producing startling results.

The most immediate is likely to be the production of hybrid wheat varieties by the end of the decade.

For reasons not fully understood, hybrids—the first generation progeny of different varieties — perform more strongly than in-bred lines. This "hybrid vigour" has been widely exploited in livestock breeding, horticulture and some other agricultural crops, notably maize.

Until recently, however, it has not been practical to produce hybrids of cereals. Now that has changed. Chemists at Shell and Rohm and Haas have independently developed chemicals which include male sterility and thus allow field-scale production of hybrid seed.

The two companies last year entered competing varieties of hybrid wheat into official trails in the UK. If all goes well the first seed could be commercially available in 1988 or 1989.

In France, where the programme is further advanced, a small amount went on sale last autumn.

The cost of producing these hybrids is high. The seed will retail at about three times the normal price—or well over £600 a tonne at today's prices. But if this new generation of seed delivers the 15 per cent increase in yields which trials indicate, the high price will be worth it.

Hybrids, like Maris Huntsman before them, could raise the national benchmark of yield overnight. Current breeding programmes, by comparison, are reckoned to have the ability to boost average yields by between 1 and 2 per cent a year.

Looking ahead to the next century, genetic engineering may allow scientists to supplement conventional and hybrid breeding programmes by inserting particular desired characteristics into new varieties.

The use of molecular biology to improve cereal varieties could increase disease resistance, boost protein content and perhaps even allow cereals to manufacture their own nitrogen fertiliser—as well as simply raising yield.

A close relationship between breeders and chemical companies is producing startling results.

This work is at a very early stage. Scientists have yet to find a way of successfully transferring isolated genes into cereal plants, although this has been done with potatoes and tobacco.

But it is the potential of these new techniques for the production of higher performing—and higher value—seed which lies behind the current interest of chemical companies in the seed business.

ICI's recent purchase of a substantial minority holding in the U.S. company Garst Seeds was only the latest in a string of similar acquisitions.

Late spring dampens hopes for Soviet grain crops

BY PATRICK COCKBURN IN MOSCOW

THE LATE arrival of spring in the Soviet Union is posing a problem for winter and spring grain crops, say senior Soviet agricultural specialists.

The late spring may lead the ripening of both winter and spring crops to coincide with the period when the country usually experiences drought and dry winds, says Mr Alexander Nikonov, president of the Academy of Agricultural Sciences.

But the outlook for the Soviet grain crop at this stage is still positive because thick snow cover during the winter has protected winter grain from cold and is providing moisture in the early stages of growth.

The grain crop has been poor in the last two years. In 1984 production fell to 170m tons, compared with a target of 240m tons, the shortfall being made up with imports worth $6.5bn.

The authorities' determination not to cut herd numbers means that livestock will continue to be fed on imported grain if meat output is to be raised.

The thick snow means that there is little need for replanting, but the delay to the spring sowing could become serious if it continues for long. One collective farm in the south of the Odessa district in the south of the country which had completed the sowing of early spring crops by March 7 in 1984, had not even started sowing by the last week in March this year.

Meanwhile, India, which has become self-sufficient in food after bumper harvests in the past two years, will export 500,000 tonnes of wheat to the Soviet Union this year.

Birendra Singh, the Food Minister, also told parliament India had donated 22,021 tonnes of wheat to drought-hit African nations, and was committed to supplying another 80,000 tonnes.

Indian food grain production in the fiscal year which ended on Sunday was estimated to be a record 150m tonnes.

LONDON MARKETS

THE REVERSE suffered by sterling on the foreign exchanges yesterday sparked a substantial upturn in coffee values on the London futures market. With further upward pressure being provided by operators covering short sales made during the recent heavy decline, the July position ended the day £34 up at £2,247.50 a tonne.

The tone on the cocoa market was bearish, however. Overnight losses in New York sparked selling in London which was accelerated by the easing of recent concern about a possible squeeze on supplies available for nearby delivery. The July position ended £13.50 down from Friday's close at £1,973.50 a tonne.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Apr. 1 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1125/114	−5	$1125/114
Copper			
Cash h Grade	£1155.5	+17.5	£1276.5
3 mths	£1173	+15.5	£1286.25
Gold troy oz	$321	−8.875	$288.5
Lead Cash	£305	+7.5	£329
3 mths	£314.25	+5.5	£337.5
Nickel			
Free Mkt	238/258c	......	232/262c
Palladium oz	$112.50	−0.10	$113
Platinum oz	$274.25	+3.50	$252.75
Quicksilver†	$285/295		$290/308
Silver troy oz	529.65p	−7.45	526.35p
3 mths	546.35p	−7.45	544.20p
Tin cash	£9687.5	+52.5	£10,147.5
3 mths	£9686.5	+54	£10,167.5
Tungsten	$76.70	......	$76/68
Wolfram 22 04lb	$75/78	......	$74/75
Zinc	£790.5	+32	£826
3 mths	£736.5	+17.75	£810.75
Producers	$925	......	$900/948

OILS	Apr. 1 1985	+ or −	Month ago
Coconut (Phil)	$850v	+10	$780
Palm Malayan	$650y	+15	$605
SEEDS			
Copra Phil	$500w	......	$500
Soyabean (U.S.)	$252.75x	+0.75	$239.5
GRAINS			
Barley Fut. Sep	£98.40	−0.05	£118.50
Maize	£152v	+1	£149.00
Wheat Fut. May	£123.75	+0.50	£117.90
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. Jun	£1973.5	−13.5	£2175
Coffee Ft. May	£2247.5	+34	£2445.5
Cotton A Index	67.60c	+0.85	67.50c
Gas Oil April	$231.5	+2.25	$221
Rubber (kilo)	65.5p	......	66p
Sugar (raw)	108.5w	......	$110
Wooltops 64s	482pkilo	−30	515pkilo

‡ Unquoted. w April-May. x April. y May. v March April. † Per 76 lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

Mar. 29	Mar. 28	M'th ago	Year ago
295.22	294.94	296.45	308.67

(Base: July 1 1952 = 100)

REUTERS

Apr. 1	Mar. 29	M'th ago	Year ago
1896.4	1925.2	2015.6	2007.4

(Base: September 18 1931 = 100)

MOODY'S

Mar. 29	Mar. 28	M'th ago	Year ago
960.1	959.6	949.2	1,080.5

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 29	Mar. 28	Month ago	Year ago
Spot	130.54	130.32	117.45	142.95
Fut.	124.95	122.83	[illegible]	148.54

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1148-9	+6	1154-5	+9
3 months	1170-.5	+8.25	1173.5-4	+8.25
Settlem't	1149	+6	—	—
Cathodes				
Cash	1150-2	+4	1155-6	+17.5
3 months	1169-70	+9.5	1172-4	+15.5
Settlem't	1152	+4	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,150; three months £1,173, 73.5, 74, 73, 72.5, 72, 71, 70. Standard: Cathodes: Cash £1,150, 51, 52; three months £1,169. Kerb: Higher Grade: Three months £1,171, 71.5, 72, 72.5, 73, 74. Afternoon: Higher Grade: Three months £1,172, 73, 73.5, 74. Kerb: Higher Grade: Three months £1,175, 76, 77. Turnover: 40,505 tonnes. U.S. Producers: 67-70 cents per pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	9669-70	+94.5	9685-90	+52.5
3 months	9560-70	+50	9705-10	+40
Settlem't	9670	+25	—	—
Standard				
Cash	9660-70	+90	9685-90	+55
3 months	9640-50	+82.5	9685-8	+54
Settlem't	9670	+90	—	—
Straits E.	$29.63		—	—

Tin — Morning: Standard: Three months £9,690, 80, 60, 70, 60, 50, 40, 50. High Grade: Cash £9,670. Kerb: Standard: Three months £9,680, 70. Afternoon: Standard: Cash £9,660. Three months £9,680, 77, 78, 77, 78, 80, 85, 88, 90. High Grade: Three months £9,700. Kerb: Standard Three months £9,690, 85. Turnover: 1,740 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	298.5-9	+5.25	304.5-5.5	+7.5
3 months	308-8.5	+4	314.5-5	+5.5
Settlem't	299	+5	—	—

Lead—Morning: Three months £305, 06, 05.5, 07, 08, 08.5. Kerb: Three months £309, 10, 10.5, 11, 12, 13, 14. [illegible] Turnover: 12,875 tonnes. U.S. Spot: 18-22 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	785.5-90	+29.5	786-95	+32
3 months	735.5-6	+17	736-7	+17.5
Settlem't	790	+31	—	—

Zinc—High Grade Official/Unofficial prices. Cash am £785 5-790, pm £785-793: three months am £734-736, pm [illegible]; Settlement £790. Zinc—Morning: Standard: Three months £734, 35, 36, 35, 34.5, 35. Kerb: Three months £730. Afternoon: Three months £737, 36, 37. Kerb: Three months £737, 36, 35, 34, 33. Turnover: 9,975 tonnes. U.S. Prime Western: 45.50-45.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	889-90	+7.75	895-6	+6.5
3 months	918-.9	+1.25	923.5-4	+6.25

Aluminium—Morning: Three months £920, 19, 18. Afternoon: Three months £922, 21, 22, 23.5, 24. Kerb: Three months £965, 54.5, 54. Turnover: 9,700 tonnes.

GOLD

Gold fell $8⅞ to $320¾-321½ on the London bullion market yesterday. It opened firm at $328-328½, just short of the day's peak of $328¼-328¾, but then weakened as the dollar showed signs of recovery on the foreign exchanges. The metal was fixed at $324.65 in the morning and $321.10 in the afternoon. It fell to a low of $317-319, but selling pressure eased as a technical support level was approached, with short-covering also helping gold finish comfortably above the day's low.

GOLD BULLION (fine ounce) Apr. 1

Close	$320¾-321½	(£262¼-263)
Opening	$328-328½	[illegible]
M'n'g fix	$324.65	(£262.555)
Aft'n'n fix	$321.10	(£262.508)

GOLD AND PLATINUM COINS

Kr'g'rnd	$331-331¾	(£271-271¾)
½ Krug	$170-170½	[illegible]
¼ Krug	$86½-87¼	[illegible]
1/10 Krug	$35-35½	[illegible]
Mapleleaf	$331-332	[illegible]
New Sov	[illegible]	[illegible]
½ New Sov	[illegible]	[illegible]
Old Sov	[illegible]	[illegible]
$20 Eagle	$440-480	[illegible]
Noble Plat	[illegible]	[illegible]

SILVER

Silver was fixed 7.45p an ounce lower for spot delivery in the London bullion market yesterday at 529.65p. U.S. cent equivalents of the fixing levels were: spot 652c, down 14c; three-month 666.05c, down 14.25c; six-month 681.80c, down 15.95c; and 12-month 716.0c, down 15.45c. The metal opened at 534-537p (661-664c) and closed at 533-535p (662-665c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	529.65p	−7.45	530p	−8
3 months	546.35p	−7.45	546p	[illegible]
6 months	561.55p	[illegible]	—	
12months	590.00p	[illegible]	—	

LME—Turnover: 88 (30) lots of 10,000 ozs. Morning: Large 1st ring three months 545; 2nd ring large cash 530.5; three months 547, 47.5, 48. Kerb: Three months 547.5, 48. Afternoon: Large 1st ring three months 550.0.

NICKEL

Nickel—Morning: Cash £4,315; three months £4,350. Kerb: Three months £4,340, 45, 50. Afternoon: Three months £4,360, 65, 75, 80. Turnover: 1,004 tonnes.

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	4315-20	+80	4360-70	+88.5
3 months	4340-50	+70	4375-80	+48

COCOA

In thin trading futures drifted lower to end the day near the lows. Consumers and producers were both reluctant to enter the market at current levels and the only physical activity noted was nearby second hand business, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
May	2011-2012	−17.0	2025-2002
July	1973-1974	−13.5	1988-1970
Sept.	1945-1947	−3.5	1955-1945
Dec.	1873-1875	−10.5	1887-1874
Mar.	1866-1868	−14.0	1888-186
May	1865-1870	−14.0	1888-1870
July	1840-1873	—	—

Sales: 6,624 (2,565) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for April 1: 105.75 (107.62); five-day average for April 2: 106.69 (106.96).

COFFEE

In quiet conditions prices improved against lower sterling and a steady New York close, reports Drexel Burnham Lambert. Gains were extended as the pound remained under pressure during the afternoon but dealings were light in a £10.00 range.

COFFEE	Yesterday's Close	+ or −	Business Done
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]

Sales: 1,245 (2,578) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for March 29: Comp. daily 1979 133.72 (133.31); 15-day average 133.01 (132.90).

COTTON

Spot and shipment sales in Liverpool amounted to 40 tonnes. Few dealings occurred with only limited offtake. Operations were directed towards American qualities.

RUBBER

PHYSICALS—The London market opened slightly easier, attracted very little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 66.50p (65.50p); May 72.50p (72.25p); June 73.50p (73.00p).

GRAINS

Old crop wheat market drifted initially but improved in the afternoon session to close steady. New barley remained about unchanged in featureless trading. New crops rallied on shipper buying from the lows to close steady, the main volume being in wheat spreads, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd'ys close	+ or −
May	119.75	+0.15	116.45	−0.05
July	122.75	[illegible]	—	—
Sept	98.20	[illegible]	98.40	[illegible]
Nov	101.45	[illegible]	101.85	[illegible]
Jan	105.20	[illegible]	105.05	[illegible]

Business done—Wheat: May 119.75-9.50, July 122.75-3.35, Sept 98.30-8.00, Nov 101.55-1.45, Jan 105.25-5.00. Sales: 323 lots of 100 tonnes. Barley: May 116.45-6.40, Sept 98.30 only. Sales: 43 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark northern spring No. 1 15 per cent, March 150.50, April/May 147.70, June 148.90, [illegible] East Coast. U.S. No. 2 Soft red winter, [illegible]. EEC French, July 119. English feed fob, April 122, April/June 123.75, Aug/Sept 98.50, Sept 99.00, Oct/Dec 104.50 sellers East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast [illegible]. Barley: English Feed fob, [illegible] sellers East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed wheat: Eastern 117.20, E. Mids 117.50, Scotland 118.00. Feed barley: E. Mids 115.50, Scotland 112.80. The UK monetary coefficient for the week beginning Monday April 8 (based on HGCA calculations using four days exchange rates) is expected to change to 0.990.

PIGMEAT

Fears that the Danish strike was not completely settled kept the expiring April position firm but prices for other months were dull, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business Done
	p. per kilo (deadweight)		
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Sales: 39 (28) lots of 50 carcases, 3,250 kg.

POTATOES

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
April	45.50	41.20	[illegible]
May	54.50	51.50	[illegible]
Nov	73.00	75.50	[illegible]
Feb	[illegible]	81.50	[illegible]
April	98.40	97.80	[illegible]

Sales: 826 (896) lots of 40 tonnes.

OIL

Brent firmed slightly in thin trade with most activity confined to May barrels. By noon EST Nymex was trading 30 cents up. Within the petroleum products market Gas Oil talk was thin and uncertain. Prices opened weak but firmed later with the strong Nymex opening. Heavy fuel supply was restricted in North-West Europe as a result of lower crude processing stemming from temporary refinery shutdowns this month, Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	27.70-27.80	—
Arab Heavy	26.50-26.55	−0.025
Dubai	27.05-27.15	−0.05
Brent Blend	28.15-28.20	+0.175
W.T.I. (1 pm est)	28.40-28.45	[illegible]
Forcados (Nigeria)	27.95-28.10	[illegible]
Urals (cif NWE)	[illegible]	[illegible]
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	270-273	+1
Gas Oil	237-239	[illegible]
Heavy fuel oil	160-165	+1.5

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or −
	$ U.S. per tonne	
April	[illegible]	[illegible]
May	[illegible]	[illegible]
June	[illegible]	[illegible]
July	[illegible]	[illegible]
Aug	[illegible]	[illegible]
Sep	[illegible]	[illegible]

SOYABEAN MEAL

	Yesterday close	+ or −	Business Done
	£ per tonne		
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

Sales: 279 (306) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $108.50 (£88.00), unchanged (up £0.50) a tonne for April/May delivery. White sugar $131.00, unchanged.

No. 6 Con-tract	Yest'day's latest prices	Previous close	Business done
	$ per tonne		
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

Sales: 2,000 (2,627) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was [illegible] (£197.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for March 29: Daily price 3.71 (3.87); 15-day average 3.78 (3.76).

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 623.0, 625.0, 624.0-624.0. July 617.5, 618.0, 617.5-615.5; Oct 593.0, 595.0, 593.0; Dec 600.0, 605.0, 603.0-603.0; Mar 615.0, 618.0, nil; May 620.0, 625.0, 625.0; July 626.0, 628.0, [illegible]; Oct 618.0, 623.0, nil. Sales: 28.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. [illegible]

Why it would pay the West to solve Africa's farm problems

Mary Cherry on an unusual analysis of the world's biggest food crisis

RICH COUNTRIES can boost their exports by encouraging agricultural growth in developing countries, says Dr John Mellor, director of the International Food Policy Research Institute, in a surprising analysis of Africa's food problems.

Dr Mellor compares the challenge faced by Africa in the 1980s with that in Asia today. While Africa's current difficulties are greater than those in Asia two decades ago, the much greater scientific and practical knowledge now available means there is a better chance of overcoming the problems.

To support his thesis that higher food production in poor countries leads to more imports, Dr Mellor says developing countries with high rates of growth of staple food production tend to have even faster rates of growth of consumption and hence increasing food imports. The 16 developing countries with the fastest growth rates in staple food production for 1961-1976 more than doubled their net imports of food staples in that same period.

The reason for these surprising relationships, he says, is that faster growth in small-scale farming generates increases in income that stimulate demand for employment-intensive goods and services. The added incomes from such employment are largely spent on food which, combined with additional demand from growth in other sectors, easily surges ahead of the growth in domestic food supplies.

"These relationships hold as long as people have sufficiently low incomes to spend the bulk of that income on food. Generally, broad-based, employment-orientated growth does not occur without vigorous growth in agriculture."

Dr Mellor says the low productivity of labour is one of the main problems in most of Africa.

He says: "The urgency of the situation calls for attention to all possible means of raising labour productivity, particularly during seasonal peaks. These means might include changes in crop labour profiles, changes in the combination of crops, chemical and mechanical innovations, and basic increases in yields.

"This emphasis on raising labour productivity is in no way a call for large scale farming. In fact, since the result needed is an overall increase in labour productivity, not a dualistic pattern of raising productivity for just a few, the call is for small-scale farming."

Dr Mellor concludes that there must be major improvements; marginal changes will not meet the challenge. This has great implications for political decision-making, allocation of research resources to develop rapidly relevant and appropriate technologies, and foreign assistance to make better use of information.

"As new technologies profitable to African smallholders are developed, many ancillary policies must be implemented. The extraordinary cost of food transport in Africa, typically double that of Asia, means large investments in infrastructure are needed. In Africa, even more than in Asia, the capacity to provide food security in rural areas is needed and that requires good infrastructure.

Similarly, the inefficiency of marketing institutions in much of Africa reduces farm prices considerably: reforms is essential. African soils are generally poor, hence fertiliser must play a larger role than in Asia.

Hard decisions about regional allocation of fertiliser distribution facilities must be made. And priority must also be given to policies for rapid adoption of new technologies, he says.

The Changing World Food Situation, by John W. Mellor. *Food Policy Statement, International Food Policy Research Institute, Washington, DC.*

Following the start of British summer time, U.S. prices were too late for this edition.

India aims to raise output of jute goods

BY P. C. MAHANTI IN CALCUTTA

INDIAN jute goods output is targeted to rise from 1.3m to 1.7m tonnes annually under the five-year plan starting from April 1.

An annual export target has been fixed at 400,000 tonnes, only slightly higher than the average during the previous five-year plan. The proposed expansion in output relies entirely on the growing domestic market, which now absorbs nearly 70 per cent production.

The industry feels that in order to expand production in line with the plan, raw jute supply has to be assured on an adequate and a stable basis. The current unprecedented shortage, which has created a near fibre famine, could be repeated unless either the jute acreage is expanded or some technological breakthrough in plant cultivation leading to better quality fibre is achieved.

At the moment the prospect for either of these developments does not appear to be bright, says Mr K. K. Bajoria, the chairman of the Indian Jute Mills Association.

As one answer to the fibre shortage, the industry has devised light weight bags which use less fibre without losing strength. At the same time they cost less. Mills plan to produce more and more of these bags for both domestic and overseas markets.

The industry is now more optimistic about export prospects than for several years. Russia has been a regular buyer of hessian goods and has been buying more and more. The U.S. and Western Europe, the other two major customers of high value Indian jute goods like hessian and carpet backing, are likely to step up imports as their economies grow.

OTHER MARKETS

MEAT

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 74.0 to 81.0; English hindquarters 92.0 to 98.0, forequarters 50.0 to 54.0; Ulster hindquarters 90.0 to 97.0, forequarters 49.0 to 54.0. Veal: Dutch hinds and ends 124.0 to 127.0. Lamb: English small 89.0 to 98.0, medium 84.0 to 93.0, heavy 82.0 to 90.0; Scotch medium 86.0 to 92.0, heavy 83.0 to 89.0. Imported: New Zealand PL (new season) 87.5 to 89.0, PX (new season) 84.5 to 85.5. Pork—English under 100lb 49.5 to 59.0, 100-120lb 52.0 to 58.0, 120-160lb 41.0 to 48.0.

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 95.49p per kg lw (+0.95); GB—Sheep 231.52p per kg est dcw (+14.36); GB—Pigs 81.03p per kg lw (−1.03).

ROTTERDAM

Maize—(U.S. $ per tonne). U.S. three yellow, afloat 138, April 138, May 135, June 135, July 136.50, July/Sept 135, Oct/Dec 129, sellers. Argentine plate, March 133, April 136, May 132, June 132, sellers.

Wheat—(U.S. $ per tonne). U.S. two Soft Red Winter, May 168, July 148, Aug 149, Sept 150. [illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers from bad start

The dollar recovered from a weak start on the foreign exchanges yesterday. It fell to the lowest levels of the day in the Far East before Europe began trading, but gained ground on profit-taking, and the failure of the market to drive the U.S. currency below a resistance level of DM 3.0250. Later in the day demand for the dollar was encouraged when it broke above another resistance point of DM 3.0950, and it closed slightly below the highest levels of the day. Trading was thin on the first day of a new quarter, ahead of the Easter holiday, with the market little moved by a fall of 0.2 per cent in February U.S. factory orders, after a revised 0.2 per cent January rise, and an increase of 1.4 per cent in February construction spending, compared with a revised 2.8 per cent rise in January. Underlying sentiment remained concerned about problems in the U.S. banking system and fears about the ability of South American debtors to repay loans.

These factors suggest the possibility of lower U.S. inteerst rates, but on the other hand the Federal funds rate was firm in New York at 8¼ per cent.

Against a rather nervous background the dollar rose to DM 3.12 from DM 3.0825; FFr 9.47 from FFr 9.4050; SwFr 2.64 from SwFr 2.6025; and Y252.65 from Y251.05. On Bank of England figures the dollar's index rose to 146.6 from 145.9.

STERLING — Trading range against the dollar in 1985 is $1.2390 to $1.0525. March average $1.1260. Exchange rate index closed unchanged at 77.2. It opened at 77.6, and touched the day's high of 77.7 at 10.00 am, before declining to a low of 77.1 at 2.00 pm.

Sterling declined against the stronger dollar, but otherwise showed small mixed changes, supported by interest rate differentials, in favour of London, and the threat to oil supplies posed by the Gulf War. The pound fell 1¼ cents to $1.2220-$1.2230, and also weakened to FFr 11.59 from FFr 11.6550, and Y308.50 from Y310, but was unchanged at DM 3.81, while improving to SwFr 3.23 from SwFr 3.2150.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 3.0825. March average 3.2972. Exchange rate index 121.6 against 121.2 six months ago.

The D-mark weakened against the dollar, after the U.S. currency came under pressure in the Far East. The dollar was never lower than DM 3.0550 in Frankfurt, but earlier had been as low as DM 3.0350. A reaction to last week's sharp fall and some commercial demand, was reported to be behind the dollar's recovery, and it closed at DM 3.1115 in Frankfurt, compared with DM 3.0895 on Friday. The Bundesbank did not intervene when the dollar was fixed at DM 3.0910, against DM 3.0930. Dealers remained concerned about possible problems in the U.S. banking system, amid suggestions that U.S. banks have made less provision for bad debts involving South American borrowers than their German counterparts.

STERLING EXCHANGE RATE INDEX

	April 1	Previous
8.30 am	77.6	78.0
9.00 am	77.6	77.8
10.00 am	77.7	77.8
11.00 am	77.5	77.8
Noon	77.4	78.0
1.00 pm	77.3	77.9
2.00 am	77.1	77.8
3.00 am	77.2	77.5
4.00 pm	77.2	77.2

£ in New York

	April 1	prev. close
£ Spot	$1.2205-1.2215	$1.2470-1.2500
1 month	0.50-0.48pm	0.50-0.48pm
3 months	1.27-1.22pm	1.21-1.19pm
12 months	1.-251.70pm	1.701.60pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.9682	+0.15	+0.27	±1.5622
Danish Krone ...	8.14104	7.98863	−1.87	−1.75	±1.6419
German D-Mark	2.24184	2.23493	−0.31	−0.19	±1.1475
French Franc ...	6.87456	6.82122	−0.78	−0.66	±1.3669
Dutch Guilder ...	2.52595	2.52167	−0.17	−0.05	±1.5171
Irish Punt	0.72569	0.715765	−1.37	−1.25	±1.6703
Italian Lira	1403.49	1426.30	+1.63	+1.63	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

April 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2190-1.2470	1.2220-1.2230	0.51-0.48c pm	4.86	1.27-1.22pm	4.07
Canada	1.6850-1.6930	1.6895-1.6705	0.57-0.39c pm	3.41	1.21-0.97pm	2.61
Nethlnd.	4.27¾-4.31	4.28¼-4.29¼	2⅞-1⅞c pm	6.65	7-6pm	6.06
Belgium	76.23-76.92	76.40-76.50	29-13c pm	3.30	60-41pm	2.64
Denmark	13.54½-13.65	13.63-13.64	4½-3½ore pm	3.52	8¼-6¾pm	2.24
Ireland	1.2158-1.2232	1.2165-1.2175	0.09p pm-0.07 dis	0.10	0.06pm-.19d	−0.21
W. Ger.	3.79-3.82	3.80½-3.81½	3-2pf pm	7.87	7⅛-6⅛pm	6.96
Portugal	208.6-218.5	208.6-212.6	155-535c dis	−19.66	515-1505d	−19.18
Spain	211.6-213.3	211.6-212.3	25-5c pm	0.85	10pm-30dis	−0.19
Italy	2,410¾-2,442½	2,419¾-2,421¼	2lire pm-5dis	0.10	7-12dis	−1.65
Norway	10.92¾-11.03¼	10.94-10.95	1½-¾ore pm	0.89	2½-½pm	0.48
France	11.56¼-11.66¼	11.58¼-11.59¼	3¾-3¼c pm	2.85	6¾-6pm	2.20
Sweden	10.94¾-11.05	10.95¾-10.97¼	⅜ore pm-⅛dis	0.05	½pm-1½dis	−0.08
Japan	307¼-311¼	308-309	2½-1½y pm	6.27	6¼-4¾pm	5.65
Austria	26.60-26.90	26.64-26.74	19¼-14¼gro pm	6.86	41½-36½pm	5.80
Switz.	3.20¾-3.24	3.22¼-3.23¼	2⅛-1¾c pm	7.43	6⅝-5⅞pm	7.28

Belgian rate is for convertible francs. Financial franc 76.95-77.05. Six-month forward dollar 1.75-1.70c pm. 12-month 1.95-1.70c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

April 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2190-1.2470	1.2215-1.2235	0.51-0.48c pm	4.86	1.27-1.22pm	4.07
Ireland†	0.9995-1.0150	1.0015-1.0025	0.45-0.35c pm	4.77	1.15-1.00pm	4.27
Canada	1.3680-1.3880	1.3675-1.3685	0.15-0.18c dis	−1.47	0.43-0.48dis	−1.33
Nethlnd.	3.4630-3.5180	3.5145-3.5155	0.58-0.55c pm	1.94	1.87-1.84pm	2.13
Belgium	61.80-62.75	62.65-62.75	7½-8½c dis	−1.54	18-20dis	−1.22
Denmark	10.92-11.14	11.13¼-11.13¾	1.50-2.00ore dis	−1.90	4.35-4.85dis	−1.68
W. Ger.	3.0550-3.1230	3.1195-3.1205	0.79-0.74pf pm	2.96	2.35-2.30pm	3.00
Portugal	171½-174½	173-174½	200-500c dis	−24.21	800-1400d	−25.16
Spain	172.10-174.00	173.30-174.10	0.30-0.50c dis	−3.00	1.50-1.75dis	−4.00
Italy	1,982-1,999	1,985-1,990	8.50-10lire dis	−5.54	19-28dis	−4.73
Norway	8.85-8.99	8.98¼-8.98¾	2.65-3.15ore dis	−3.88	7.45-7.95dis	−3.42
France	9.37-9.52	9.46¼-9.47¼	1.50-1.60c dis	−1.96	1.35-1.45dis	−0.59
Sweden	8.87-9.02	9.00¼-9.01¼	3.35-3.85ore dis	−4.81	9.55-10.05dis	−4.35
Japan	250.35-253.60	252.60-252.70	0.61-0.57y pm	2.80	1.72-1.67pm	2.68
Austria	21.55-21.90	21.85-21.90	1.40-0.80gro pm	0.60	1.90-1.10pm	0.55
Switz.	2.5750-2.6410	2.6395-2.6405	0.80-0.74c pm	3.07	2.20-2.16pm	3.30

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.95-63.05.

OTHER CURRENCIES

Apr. 1	£	$		Note Rates
Argentina Peso	418.95-419.70	342.60-343.20	Austria	26.70-27.00
Australia Dollar	1.8000-1.8040	1.4680-1.4720	Belgium	76.65-77.75
Brazil Cruzeiro	5,417-5,446	4,430-4,450	Denmark	13.57-13.71
Finland Markka	7.9195-7.9327	6.4650-6.4860	France	11.57-11.70
Greek Drachma	163.47-167.04	132.31-135.04	Germany	3.79-3.83
HongKong Dollar	9.5500-9.5600	7.7990-7.7995	Italy	2425-2450
Iran Rial	114.80*	92.75*	Japan	310-314
KuwaitDinar(KD)	0.3690-0.3700	0.30235-0.30245	Netherlands	4.28-4.34
Luxembourg Fr.	76.40-76.50	63.05-62.75	Norway	10.97-11.08
Malaysia Dollar	3.1060-3.1400	2.5245-2.5305	Portugal	210-225
New Zealand Dlr.	2.4400-2.5700	2.1500-2.1600	Spain	209½-230
Saudi Arab. Riyal	4.4075-4.4145	3.6700-3.6800	Sweden	10.97-11.08
Singapore Dollar	2.7300-2.7500	2.2175-2.2275	Switzerland	3.22-3.25
Sth African Rand	2.3600-2.3800	1.9300-1.9400	United States	1.22-1.24
U.A.E. Dirham	4.4870-4.4940	3.6720-3.6750	Yugoslavia	260-285

* Selling rate.

CURRENCY MOVEMENTS

Apr. 1	Bank of England Index	Morgan Guaranty Change %
Sterling	77.2	−12.6
U.S. dollar	146.6	+22.2
Canadian dollar	83.1	−6.9
Austrian schilling	111.7	+4.3
Belgian franc	89.3	−10.9
Danish Kroner	77.6	−4.7
Deutsche mark	121.6	+6.4
Swiss franc	138.5	+6.8
Guilder	111.9	+3.1
French franc	64.7	−15.7
Lira	48.3	−16.1
Yen	154.9	+11.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

April 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.805595	0.587355
U.S. $	8	0.985707	0.718689
Canadian $	10.65	1.34627	0.982725
Austria Sch.	4½	21.6113	15.7783
Belgian Fr.	11	61.5568	44.9682
Danish Kr.	7	10.9165	7.98863
D'mark	4½	3.06918	2.23493
Guilder	5	3.45018	2.52167
French Fr.	9½	9.33593	6.82122
Lira	15½	1954.16	1426.30
Yen	5	247.574	181.358
Norway Kr.	8	8.83515	6.45508
Span'h Pta.	—	170.883	124.574
Swed'h Kr.	9	8.85939	6.48303
Swiss Fr.	4	2.59254	1.89748
Greek Dr'ch.	20½	133.403	96.7760
Irish Punt	12¾	0.985764	0.715765

* CS/SDR rate for March 29: 1.36507. † Greek Dr'ch. March 29: 132.882.

EXCHANGE CROSS RATES

April 1	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.223	3.810	308.5	11.59	3.230	4.288	2421.	1.670	76.45
U.S. Dollar	0.818	1.	3.117	252.4	9.481	2.643	3.507	1980.	1.366	62.54
Deutschemark	0.262	0.321	1.	80.97	3.042	0.848	1.125	635.3	0.438	20.07
Japanese Yen 1,000	3.241	3.963	12.35	1000.	37.57	10.47	13.90	7846.	5.413	247.8
French Franc 10	0.863	1.055	3.287	266.2	10.	2.787	3.699	2088.	1.441	65.96
Swiss Franc	0.310	0.378	1.180	95.51	3.588	1.	1.327	749.4	0.517	23.67
Dutch Guilder	0.233	0.285	0.889	71.95	2.703	0.753	1.	564.5	0.390	17.83
Italian Lira 1,000	0.413	0.505	1.574	127.5	4.788	1.334	1.771	1000.	0.690	31.58
Canadian Dollar	0.599	0.732	2.281	184.7	6.940	1.934	2.567	1449	1.	45.78
Belgian Franc 100	1.308	1.599	4.984	403.5	15.16	4.225	5.608	3166.	2.184	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Apr. 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	13¼-13⅜	8¾-8⅞	9¼-10¼	6⅝-6⅞	1⅞-2⅛	5⅝-5⅞	10¼-10¾	13¼-14¼	9½-10¼	10⅛-10⅜	6⅛-6⅜	11¼-11¾
7 day's notice	13⅛-13⅜	8⅝-8⅞	9½-10¼	6⅝-6⅞	4⅝-4⅞	5⅝-5⅞	10⅜-10⅝	14¼-15¼	10⅛-10⅜	10⅛-10⅜	6⅛-6⅜	11-11½
Month	13¼-13⅜	8⅝-8¾	10¼-10½	6⅝-6⅞	5⅛-5⅜	5⅝-5¾	10⅝-10⅞	14⅜-15⅜	10⅛-10⅜	10⅛-10⅜	6⅛-6⅜	11-11½
Three months	12⅞-13⅛	9⅛-9¼	10⅜-10⅝	6⅝-6⅞	5⅛-5⅜	5⅞-6	10⅞-11⅛	14⅝-15⅜	10¼-10½	10¼-10½	6⅛-6⅜	10⅞-11⅜
Six months	12⅞-12⅝	9⅝-9¾	10⅞-11⅛	6⅞-7⅛	5⅜-5⅝	6⅛-6⅜	10⅞-11⅛	15¼-15⅞	10⅜-10⅝	10¼-10½	6¼-6½	11⅛-11⅝
One year	12⅛-12⅜	10⅛-10¼	11⅛-11⅜	7⅛-7⅜	5⅝-5⅞	6⅜-6⅝	11⅛-11⅜	15⅝-16⅜	10⅝-10⅞	10⅝-10⅞	6⅜-6⅝	11⅝-12⅛

Asian $ (closing rates in Singapore): Short-term 8⅞-9 per cent; seven days 8⅞-9 per cent; one-month 8⅞-9 per cent; three months 9⅜-9½ per cent; six months 9⅞-10 per cent; one year 10⅛-10¼ per cent. Long-term Eurodollars: two years 11⅛-11¼ per cent; three years 11½-11⅝ per cent; four years 11¾-12 per cent; five years 12-12¼ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK short term rates softer

Short-term interest rates were lower in London yesterday as the authorities acted to bring the cost of short dated loans more into line with rates quoted out to one year. Consequently pressure increased on the two remaining clearing banks to reduce their base lending rates to 13 per cent as one week interbank money finished the day at 13¼-13⅛ per cent, having been as high as 14 per cent on Friday. Overnight money reacted in much the same way as the Bank ensured a good supply of credit on the day's projected shortage. Overnight funds opened at 13⅜ per cent and eased to 9 per cent before rising on a little late demand to 11 per cent.

UK clearing banks base lending rate 13-13½ per cent since March 29

Longer term rates tended to edge up slightly as sterling came back from the day's highs. Three month interbank money rose to 12⅞ per cent from 12¾ per cent and six-month to 12⅝ per cent at the close from 12½ per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £762m and the unwinding of previous sale and repurchase agreements a further £879m. These were partly offset by Exchequer transactions of £195m, a fall in the note circulation of £365m and banks' balances brought forward £160m above target.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £810m and comprised purchases of £103m of eligible bank bills in band 1 (up to 14 days) at 12⅞ per cent and £59m in band 2 (15-33 days) at 12⅞ per cent. In band 3 (34-63 days) it bought £12m of eligible bank bills at 12⅞ per cent and £11m in band 4 (64-91 days) at 12⅞ per cent. It also arranged sale and repurchase agreements on £625m of bills at 12⅞ per cent, unwinding on April 24.

The forecast was later revised to a shortage of around £900m before taking into account the early help and the Bank gave additional help in the morning of £68m. This was made up of purchases of £5m of eligible bank bills in band 1 at 12⅞ per cent and £54m in band 2 at 12⅞ per cent. In the afternoon the Bank bought £58m of eligible bank bills in band 2 at 12⅞ per cent and provided late assistance of £100m, making a total of £1,042m.

MONEY RATES

April 1	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.95-6.00	10¼	1½-2¼	6¼-6½	6.28125	15½-15⅞	7.25	14¼-14½
One month	5.75-5.90	10⅛-10¼	5⅛-5¼	6⅝-6¾	6.28125	15½-15¾	10⅛-10⅜	13⅞-14⅛
Two months	5.90-6.05	10⅛-10¼	—	—	—	—	—	13½-13¾
Three months	6.05-6.15	10⅛-10¼	5⅛-5¼	6⅝-6¾	6.34375	15⅛-15½	10⅛-10⅜	13½-13¾
Six months	6.15-6.25	10⅛-10¼	—	—	—	—	10⅛-10⅜	13⅛-13⅜
Lombard	6.0	—	—	6½	—	—	—	—
Intervention	—	10¼	—	—	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Mar. 29 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	9-14	13	10¼-13¼	9-13	—	—	—	—	—
2 days notice	—	—	—	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13¼-13⅛	13½-13⅛	13¼-14	13-13¼	—	—	—	—	—
One month	13¼-13⅛	13¼-13⅛	13¼	13¾-13⅝	13⅛	12⅞	12⅞	12⅞-12⅞	12⅞-12⅞	13⅛
Two months	13⅛-12⅞	13⅛-12⅞	13¼	—	13¼	—	12⅞	12⅞	12⅞	13⅛
Three months	12⅞-12⅞	12⅞-12⅞	13¼	—	13¼	12⅝	12⅝	12⅝	12⅞	12⅞
Six months	12⅝-12⅝	12⅝-12⅝	12⅞	—	—	—	—	11⅞-11¾	—	—
Nine months	12⅜-12⅛	12⅜-12½	—	—	—	—	—	—	—	—
One year	12⅛-12⅛	12⅛-12⅛	12	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14-13¼	—	13⅛	8.65-8.75	8½-8⅝	9½-10⅛
Two months	13⅞-13⅛	—	13⅛	8.75-8.85	8⅞-8⅞	10-10¼
Three months	13⅞-13⅛	—	13⅛	9.0-9.0	9-9⅛	10-10¼
Six months	12⅞-12⅝	—	12¾	9.3-9.4	9⅜-9½	10-10¼
Nine months	12⅝-12⅝	—	12⅝	9.6-9.7	—	—
One year	12⅜-12⅜	—	12⅜	10.0-10.15	9¾-9⅞	10¼-10⅜
Two years	—	11¾	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11⅝	—	—	—	—
Five years	—	11⅝	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period February 6 to March 5 1985 (inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 14 per cent from April 1, 1985. London and Scottish Clearing Bank Rates for lending 13-13½ per cent. London Deposit Rates for sums at seven days' notice 10¼-10½ per cent. Treasury Bills: Average tender rates of discount 12.3571 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 13¼ per cent; one-three months 13¾ per cent; three-six months 12¾ per cent; six-nine months 12½ per cent; nine-12 months 12 per cent. Under £100,000 11¾ per cent from March 29. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 1)

Three months U.S. dollars

bid 8 15/16	offer 9 1/16

Six months U.S. dollars

bid 9 3/8	offer 9 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9⅞
Fed funds	8⅞
Fed funds at intervention	—

Treasury Bills

One-month	7.85
Two-month	8.15
Three-month	8.13
Six-month	8.50
One-year	8.72

Treasury Bonds

Two-year	100⅛
Three-year	99⅞
Four-year	100⅛
Five-year	100⅛
Seven-year	100
10-year	99⅞
30-year	98¾

FINANCIAL FUTURES

Late fall

Prices fell in the London International Financial Futures Exchange yesterday in rather quiet and featureless trading. Proximity of the long Easter break in London was already having an influence. In addition there appear to be very little to go for with UK interest rates consolidating somewhat after two recent reductions in UK clearing bank base rates.

Euro-dollars and U.S. Treasury bonds showed little reaction to news of a fall in U.S. factory orders or a rise in construction spending which was smaller than the previous recorded figure. Consequently values were marked down, more noticeably after the start of trading in Chicago and the June Euro-dollar contract finished at 90.18 down from 90.26 on Friday.

The June gilt price opened at 106.28, unchanged from the previous close but drifted gently during the morning before falling away sharply to finish at 106-13.

Short sterling reacted in much the same way with the softer trend accelerated as sterling retreated from the day's highs. The June price opened at 88.42 and closed just above the day's low of 88.12 at 88.13, down from 88.45 on Friday.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	90.18	90.24	90.17	90.26
Sept	89.56	89.64	89.56	89.65
Dec	89.11	89.19	89.12	89.18
March	88.78	88.84	88.78	88.87
June	88.54	88.59	88.53	88.63

Est volume 3,287 (5,333)
Previous day's open int 15,657 (15,804)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	88.13	88.43	88.12	88.45
Sept	89.00	89.08	89.00	89.12
Dec	89.05	89.08	89.08	89.15
March	88.92	—	—	89.10
June	88.92	—	—	89.10

Est volume 1,182 (1,068)
Previous day's open int 5,789 (5,687)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	106-13	106-28	106-10	106-28
Sept	110-00	—	—	110-13
Dec	110-02	—	—	110-14
March	109-23	—	—	110-03

Est volume 1,498 (2,029)
Previous day's open int 2,741 (2,909)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −24 to −12 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.2140	1.2315	1.2160	1.2190
Sept	1.2070	1.2285	1.2060	1.2128
Dec	1.2060	—	—	1.2128

Est volume 787 (43)
Previous day's open int — (8,740)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3233	0.3271	0.3229	0.3252
Sept	0.3261	—	—	0.3280

Est volume 57 (29)
Previous day's open int 325 (325)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3832	—	—	0.3857

Est volume nil (nil)
Previous day's open int 157 (157)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3988	—	—	0.4006
Sept	0.4020	—	—	0.4029

Est volume nil (300)
Previous day's open int 370 (370)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	127.90	128.05	127.45	127.40
Sept	128.40	—	—	127.90

Est volume 121 (330)
Previous day's open int 1,548 (1,545)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	69-16	69-22	69-16	69-16
Sept	68-18	—	—	68-20
Dec	—	—	—	—
March	—	—	—	—

Est volume 385 (2,280)
Previous day's open int 3,048 (2,984)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	69-25	69-26	69-14	69-23
Sept	68-27	68-29	68-17	68-25
Dec	68-00	68-02	67-24	67-31
March	67-08	67-09	67-05	67-07
June	66-18	66-18	66-15	66-18
Sept	65-30	65-31	65-31	65-30
Dec	65-13	65-13	65-08	65-13
March	—	—	—	64-29
June	64-13	64-13	64-09	64-14
Sept	—	—	—	—
Dec	—	—	—	63-21

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.41	91.43	91.35	91.41
Sept	90.90	90.91	90.83	90.88
Dec	—	90.51	90.46	90.50
March	90.20	90.21	90.18	90.22
June	—	90.00	89.98	90.02
Sept	89.83	—	—	89.85
Dec	89.65	—	—	89.67
March	—	—	—	89.52

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	90.54	90.65	90.56	90.65
Sept	89.88	89.98	89.93	89.97
Dec	89.50	89.52	89.45	89.50
March	89.10	89.10	89.12	89.22

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	90.22	90.24	90.15	90.23
Sept	89.60	89.60	89.55	89.60
Dec	89.14	89.14	89.07	89.13
March	88.77	88.80	88.75	88.75
June	88.49	88.50	88.49	88.52
Sept	88.25	88.26	88.24	88.30
Dec	—	—	—	—
March	—	—	—	87.87

STERLING (IMM) Se per £

	Latest	High	Low	Prev
June	1.2105	1.2160	1.2085	1.2220
Sept	1.2040	1.2160	1.2030	1.2270
Dec	1.2065	1.2080	1.2020	1.2265
March	—	—	—	1.2265

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	69-10	69-11	68-27	69-00
Sept	68-20	68-20	68-14	68-10
Dec	—	—	—	67-22
March	—	—	—	—
June	—	—	—	66-22
Sept	—	—	—	66-08

£ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on April 1, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.32
Algeria	Dinar	(A) 6.59
Andorra	French Franc / Spanish Peseta	11.59 / 211.95
Angola	Kwanza	(Cm) 32.315
Antigua	E. Caribbean $	3.55
Argentina	New Peso	342.15
Australia	Australian $	1.8020
Austria	Schilling	26.69
Azores	Portug'se Escudo	210.62
Bahamas	Ba. Dollar	1.2225
Bahrain	Dinar	0.4590
Balearic Isles	Spa Peseta	211.95
Bangladesh	Taka	36.25
Barbados	Barbados $	2.46
Belgium	B. Franc	(cm) 76.45 (fn) 77.00
Belize	B $	2.48
Benin	C.F.A. Franc	579.50
Bermuda	Bda $	1.2225
Bhutan	Indian Rupee	15.15
Bolivia	Bolivian Peso	(u)52,395.0
Botswana	Pula	2.1315
Brazil	Cruzeiro	6,431.50
Brit. Virgin Isles	U.S. $	1.2225
Brunei	Brunei $	2.70
Bulgaria	Lev	1.2141
Burkina Faso	C.F.A. Franc	579.50
Burma	Kyat	9.7621
Burundi	Burundi Franc	145.38
Cameroon	C.F.A. Franc	579.50
Canada	Canadian $	1.67
Canary Islands	Spanish Peseta	211.95
Cape Verde Is.	Cape V. Escudo	109.29
Cayman Islands	Cay. Is. $	1.03
Cent. Afr. Republic	C.F.A. Franc	579.50
Chad	C.F.A. Franc	579.50
Chile	Chilean Peso	180.98
China	Renminbi Yuan	3.5205
Colombia	Col. Peso	(F)151.15
Comoros	C.F.A. Franc	579.50
Congo (Brazzaville)	C.F.A. Franc	579.50
Costa Rica	Colon	(U) 60.23
Cuba	Cuban Peso	1.12
Cyprus	Cyprus £	0.8300
Czechoslovakia	Koruna	(com) 8.10 (nc) 14.07 (T) 14.35
Denmark	Danish Kroner	13.6350
Djibouti	Djibouti Franc	210.0
Dominica	E. Caribbean $	3.30
Dominican Repub.	Dominican Peso	(O) 1.2225
Ecuador	Sucre	(O) 82.19 (F) 147.15
Egypt	Egyptian £	(O) 0.0176
El Salvador	Colon	(F) 4.8650
Equatorial Guinea	Ekuele	579.50
Ethiopia	Ethiopian Birr	2.5150
Falkland Islands	Falk. I. £	1.0
Faroe Islands	Danish Kroner	13.6350
Fiji Islands	Fiji $	1.4465
Finland	Markka	7.94
France	French Franc	11.59
French C'ty in Af.	C.F.A. Franc	579.50
French Guiana	Local Franc	11.59
French Pacific Is.	C.F.P. Franc	206.0
Gabon	C.F.A. Franc	579.50
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.81
Germany (West)	Deutsche Mark	3.81
Ghana	Cedi	61.25
Gibraltar	Gibraltar £	1.0
Greece	Drachma	165.26
Greenland	Danish Kroner	13.6350
Grenada	E. Caribbean $	3.30
Guadaloupe	Local Franc	11.59
Guam	U.S. $	1.2225
Guatemala	Quetzal	1.2225
Guinea	Syli	30.90
Guinea-Bissau	Peso	105.53
Guyana	Guyanese $	5.1975
Haiti	Gourde	6.12
Honduras	Lempira	2.46
Hong Kong	H.K. $	9.55
Hungary	Forint	63.31
Iceland	I. Krona	50.37
India	Ind. Rupee	15.15
Indonesia	Rupiah	1,356.43
Iran	Rial	114.80(sg)
Iraq	Iraqi Dinar	0.39
Irish Republic	Irish £	1.3170
Israel	Shekel	960.85
Italy	Lira	2,400.00
Ivory Coast	C.F.A. Franc	579.50
Jamaica	Jamaica Dollar	6.375(sg)
Japan	Yen	308.50
Jordan	Jordanian Dinar	0.495
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	19.86
Kiribati	Australian $	1.8020
Korea (Nth)	Won	1.57(u)
Korea (Sth)	Won	1061.16
Kuwait	Kuwaiti Dinar	0.3695
Laos	New Kip	43.09
Lebanon	Lebanese £	22.40
Lesotho	Maluti	2.37
Liberia	Liberian $	1.2225
Libya	Libyan Dinar	0.36
Liechtenstein	Swiss Franc	3.23
Luxembourg	Lux Franc	77.00
Macao	Pataca	10.00
Madeira	Portug'se Escudo	210.62
Malagasy Republic	MG Franc	641.00
Malawi	Kwacha	1.8065
Malaysia	Ringgit	3.18
Maldive Islands	Rufiyaa	8.55
Mali Republic	C.F.A. Franc	579.50
Malta	Maltese £	0.58
Martinique	Local Franc	11.59
Mauritania	Ouguiya	83.81
Mauritius	M. Rupee	18.525
Mexico	Mexican Peso	(O) 299.15 (F) 251.25
Miquelon	Local Franc	11.59
Monaco	French Franc	11.59
Mongolia	Tugrik	4.55(u)
Montserrat	E. Caribbean $	3.30
Morocco	Dirham	11.40
Mozambique	Metical	(A) 54.38
Namibia	S.A. Rand	2.37
Nauru	Australian $	1.8020
Nepal	Nepalese Rupee	22.43
Netherlands	Guilder	4.2875
Netherland Antilles	Antillian Guilder	2.22
New Zealand	N.Z. Dollar	2.5550
Nicaragua	Cordoba	(O) N/A
Niger Republic	C.F.A. Franc	579.50
Nigeria	Naira	1.18509
Norway	Norwegian Krone	10.9450
Oman Sultanate of	Rial Omani	0.4290
Pakistan	Pakistan Rupee	19.20
Panama	Balboa	1.2225
Papua N. Guinea	Kina	1.1290
Paraguay	Guarani	(O) 893.84
Peru	Sol	[illegible]
Philippines	Philippine Peso	21.40
Pitcairn Islands	£ Sterling / New Zealand $	2.5550
Poland	Zloty	168.07
Portugal	Portuguese Escudo	210.62
Puerto Rico	U.S. $	1.2225
Qatar	Qatari Ryal	4.4210
Reunion Island	French Franc	11.59
Romania	Leu	(Cm) 5.55 (nc) 16.55
Rwanda	Rwanda Franc	121.83
St. Christopher	E. Caribbean $	3.30
St. Helena	St Helena £	1.0
St. Lucia	E. Caribbean $	3.30
St. Pierre	Local Franc	11.59
St. Vincent	E. Caribbean $	3.30
Samoa American	U.S. $	1.2225
San Marino	Italian Lira	2,400.00
Sao Tome & Prin.	Dobra	50.81
Saudi Arabia	Saudi Ryal	4.41
Senegal	C.F.A. Franc	579.50
Seychelles	S. Rupee	8.82
Sierra Leone	Leone	(O) 7.05
Singapore	Singapore $	2.74
Solomon Islands	Solomon Is. $	1.7065
Somali Republic	Somali Shilling	45.05
South Africa	Rand	2.37
Spain	Peseta	211.95
Spanish ports in North Africa	Peseta	211.95
Sri Lanka	S.L. Rupee	33.50
Sudan Republic	Sudan £	(u) 3.06
Surinam	S. Guilder	2.20
Swaziland	Lilangeni	2.37
Sweden	S. Krona	11.2450
Switzerland	Swiss Franc	3.23
Syria	Syrian £	(A)(T) 9.0
Taiwan	New Taiwan $	48.84
Tanzania	Tan. Shilling	21.37
Thailand	Baht	33.80
Togo Republic	C.F.A. Franc	579.50
Tonga Islands	Pa'anga	1.8020
Trinidad	Trinidad & Tob $	2.93
Tunisia	Tunisian Dinar	1.03
Turkey	Turkish Lira	598.29
Turks & Caicos	U.S. $	1.2225
Tuvalu	Australian $	1.8020
Uganda	Uganda Shilling	707.50
United States	U.S. Dollar	1.2225
Uruguay	Uruguay Peso	116.465
Utd. Arab Emirates	U.A.E. Dirham	4.4905
U.S.S.R.	Rouble	1.0437
Vanuatu	Vatu	139.10
Vatican	Italian Lira	2,400.00
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Islands U.S.	U.S. Dollar	1.2225
Western Samoa	Samoan Tala	(A) 2.70
Yemen (Nth)	Ryal	8.11(sg)
Yemen (Sth)	S. Yemen Dinar	0.42
Yugoslavia	New Y Dinar	315.5765
Zaire Republic	Zaire	57.2785
Zambia	Kwacha	2.70
Zimbabwe	Zimbabwe $	1.8875

§ Rate is the transfer market (controlled). ‡‡ Now one official rate. (§) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. † Correction (March 18): Peru, 8,147.49.

INTERNATIONAL CAPITAL MARKETS

Sony offering wins race to open Europen convertible bond market

BY OUR EUROMARKETS STAFF

THE EUROYEN convertible bond market got off to a flying start yesterday with three issues launched. First, in a photo-finish, was a Y30bn deal for Sony. The market has opened up after the repeal effective yesterday of the 20 per cent withholding tax payable by Japanese companies on bond issues sold to foreign residents.

Sony's issue, led by Nomura International, has a 15-year life and a 2 per cent coupon – lower than levels in the domestic market. The expected conversion premium is 5 per cent. The deal was trading well, bid at the par issue price, and fees totalled 2½ per cent.

The issue was launched simultaneously with a $100m deal for Sony, with equity warrants, also led by Nomura International. Fees for the five-year issue totalled 2¼ per cent and the coupon is 7¾ per cent. It, too, was trading around the par issue price.

The other two Euroyen convertibles were led by Nikko Securities, for Fanuc, the machine tool business, and Nisshinbo, the textile group. The Fanuc issue raises Y20bn and has a 10-year life with an indicated 2 per cent coupon. Conversion premium is expected to be 5 per cent. The deal was trading close to the par issue price. Fees are 2½ per cent.

The Y15bn Nisshinbo issue also has a 10-year life, but a higher 3½ per cent indicated coupon. The issue fared less well, although Nikko was quoting the bonds within the 1½ per cent selling concession.

In the Eurodollar market, Italy launched a $500m floating-rate note led by Credit Suisse First Boston. The issue pays interest at 1/16 per cent above one-month London interbank offerd rate (Libor) with commissions totalling 30 basis points. There is no minimum coupon. Dealers regarded the terms as significantly too tight compared with other paper trading in the market, and considering the issue's 20-year life. The deal was quoted outside the total fees, bid at 99.65.

CSFB also launched a fixed-rate issue yesterday, a $100m five-year deal for Mitsui Trust Finance (Hong Kong). The coupon was set at 11⅝ per cent and issue price at par. Traders said the deal was probably swap-driven, noting the delayed payment date of June 27 1985. They quoted the issue bid just outside the 1⅞ per cent total commissions.

Eurodollar straight bonds were firmer where changed yesterday, helped by an improvement in the New York bond market. Some traders reported signs of renewed, although still small, buying from Japanese investors now that their new financial year has started.

BHF Bank bond average		
April 1		Previous
101.082		101.068
High	1985	Low
102.860		99.840

Pearson, the British publishing and diversified industrial company whose interests include the Financial Times and Lazard Brothers, followed Redland into the Eurosterling zero-coupon bond market. The deal, led by Lazard, has a redemption value of £100m (larger than Redland's £60m) and a seven-year life. The issue price was set higher than Redland's at 48%, giving an annual yield of 10.85 per cent. Less the 1¼ point commissions, the yield is 11.26 per cent.

The tighter terms and the fact that the name is relatively unknown in the market left the bonds bid just outside the fees at 47⅛.

The Asian Development Bank launched a DM 200m 12-year deal, led by Deutsche Bank. The coupon was set at 7¾ per cent and issue price at 99½. The issue was well received, and traded around 99, well inside the 1½ per cent selling concession.

The improved tone in the D-Mark market allowed Escom's issue to be increased from DM 150m to DM 200m. It was trading above its 99½ issue price.

Secondary market trading was low, and prices were unchanged or slightly better.

In the Swiss franc market, prices were better where changed, though here, too, turnover was low.

A private placement of equity warrants alone – the first such issue in the Swiss market – was reported to have been launched by Citicorp (Switzerland) for Toyobo, the Japanese textiles group. The 7,000 warrants, which have a five-year life and give the right to buy 1,000 shares each, were sold at SwFr 630 each. The warrants buy into the shares at Y270 a share.

The coupons on Yokogawa Hokushin Electric's Swiss franc and guilder issues were both cut yesterday. On the SwFr 100m convertible issue, the coupon was set by Credit Suisse at 1⅝ per cent compared with the indicated 1⅞ per cent.

Philips launched a Fl 100m private placement, led by Amro. The five-year deal has a 7⅛ per cent coupon and par issue price and was reported to be trading around 99¾.

In the European currency unit market Banque Paribas launched an Ecu 50m seven-year issue for ANZ Banking. The coupon was fixed at 9⅜ per cent and the issue traded just outside the 1⅞ per cent selling concession.

INCREASING COMPETITION FORCES 'TRICENTRALISM' ON BANKS

Towards the global capital market

BY MAGGIE URRY IN LONDON

CAPITAL markets are becoming more international, just as the world's economies and currencies are becoming more inter-related, according to Mr Parker Gilbert, chairman of Morgan Stanley, the private U.S. investment banking firm.

Mr Gilbert, who was chairing the Financial Times conference on the Euromarkets in 1985 in London yesterday, said he found it hard to identify a trend towards true global markets where prices are established by supply and demand worldwide and not predominantly from a single domestic market.

New issues, he said, would still be aimed at specific markets though as investors are increasingly institutional and international, firms like Morgan Stanley would require a presence in the three major markets – New York, London and Tokyo. He called for the development of a global clearing system.

Taking up the theme, Dr Michael von Clemm, chairman of Credit Suisse First Boston, said that "tricentralism" – having a presence in London, New York and Tokyo – would be forced on any firm which wanted to be a major player in the international capital markets.

He predicted a further growth in the number of financial products available which would require firms to have more specialists and to increase their sales and trading staff. He also said that, because of intense competition, a new product would have a shorter life as a profitable business than in the past and that margins would be under further pressure.

He also outlined problems facing firms in London in terms of the young average age of staff, high wage rates, and the shortage of space in the London property market. He warned of a feeling of "smug self-congratulation" among bankers.

Turning to the role of the yen in the international capital markets, Dr David Mulford, Assistant Secretary for International Affairs at the U.S. Treasury, said that the deregulation of the yen markets over the past 10 months had resulted in a stronger Japanese currency than might have otherwise appeared. Although the yen had fallen since the yen/dollar agreement of May 1984, it had risen against European currencies.

The motive for the accord had been the hope that the yen could more fully reflect Japan's importance in the world economy. Dr Mulford believed that the deregulation of the Euroyen market had been the best way to approach the issue, and that deregulation of the domestic yen bond markets would follow.

The Latin American debt crisis had been a major cause of concern in the international capital markets in recent years. Dr Benito Raul Losada, president of the Banco Central de Venezuela, outlined his country's recovery since the crisis, which was triggered in 1982 by the fall in oil prices. Venezuela's balance of payments, which had deteriorated to a $4.2bn deficit on current account, is in surplus again at $4.4bn in 1984. A halving of imports, a devaluation of the bolivar and increased exports had been important factors behind the recovery. The country had been able to keep inflation in check, unlike other Latin American countries. Now the aim was to stimulate growth once more.

FINANCIAL TIMES
Euromarkets in 1985
CONFERENCE

Similarly the rest of Latin America was also beginning to show signs of coming out of the recession, and debt reschedulings had been achieved thanks to improved current account balances. The recovery could still be upset, though, if export markets did not remain healthy or if dollar interest rates rose once more.

The question of an international primary market in equities was addressed by Mr Andrew Large, chief executive of Swiss Bank Corporation International. He felt that in 10 years' time there could be "an international market both for the issuing and trading of equities, which rivals today's Eurobond market."

So far the domestic issuing syndicates had largely excluded foreign members, while shareholders had been keen to guard their "pre-emption rights" – the right to have new shares offered first to them. However, issues such as British Telecom, Reuters and Esselte had been successful and there was proven demand outside domestic share markets for equities.

Mr Sven Wallgren, president of Esselte, explained why his company – a Swedish-based business – had decided to sell shares internationally. The group's overseas activities had expanded in the past 10 years, partly by acquisitions, and the balance sheet had as a result become burdened by debt. A listing on foreign stock exchanges would allow the company to use shares to make further acquisitions.

The sale of shares in an Esselte subsidiary, a holding company for the overseas businesses, had been successful both inside and outside the U.S. Mr Wallgren said the "major benefits to be gained from the internationalisation of the equity markets were the provision of better investor opportunities, coupled with access to wider equity capital sources."

Mr Robert Mauchlin, partner of Goldman Sachs in charge of equity trading, said that London had the opportunity to become substantially more important as a financial centre in the next few years. The changes in the stock exchange were more dramatic than they had been in New York, where a gradual process towards negotiated commissions had occurred. But he felt that the changes would not be as revolutionary as some people feared.

Mr John Browne, group treasurer of British Petroleum, spoke about the way the changes in the capital markets affected companies. He saw a much wider variety of markets and instruments open to companies. But he said there had also been an increase in price volatility in the stock markets, and in currency trading, but the world's fiscal authorities had not kept pace with the changes and the tax consequences of these changes.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for April 1.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	† 101⅞	102⅜	0	+0⅝	11.79
Austria Rep 13⅝ 92	100	105⅞	106⅝	+0¼	+0½	12.22
Bank Of Tokyo 12⅝ 92	100	100⅛	100⅝	+0¼	+1	12.52
Bank of Tokyo 13⅝ 91	100	105¼	105¾	−0⅛	+1⅛	12.28
BP Capital 11⅛ 92	150	95¾	96¼	+0⅝	+1½	12.00
Caisse Nat Tele 13¾ 91	100	105¼	105¾	0	+0½	12.40
Canadian Pac 12½ 99	75	102½	103	+0⅜	+1⅜	12.06
CBS Inc 11⅜ 92	100	96⅝	97⅛	+0¼	+1	11.99
Chevron U.S.A. 12¼ 89	600	100½	101	+0⅞	+0⅝	11.97
Creditanstalt 13⅛ 91	100	† 101¾	102¼	−0¼	+0¼	12.62
Denmark Kindom 11½ 92	100	96	96½	+0½	+1⅛	12.33
Denmark Kingdom 13 91	100	102¼	102¾	−0⅛	+0⅜	12.37
Denmark Kingdom 13¼ 91	100	* 103¼	103¾	+0¾	+1	12.38
Denmark 13⅞ 88 XW	100	104⅜	104⅞	−0⅛	+0½	12.05
Denmark Kingdom 14 91	100	106	106½	0	+0⅝	12.47
E.E.C. 11⅛ 90	100	† 97½	98	+0½	+1	11.74
E.I.B. 13 95	200	102¼	102¾	+0¼	+1⅛	12.54
Ex-Im Bk Japan 13¼ 91	75	† 106¼	106¾	+0⅛	+0⅝	11.69
Export Dev Corp 12 89	100	101⅛	101⅝	+0⅜	+1⅛	11.55
Exxon Capital Corp 0 2004	1800	† 11	11½	−0⅛	+0⅛	11.78
Florida Fed Sav 12⅜ 89	100	† 100½	101	+0⅛	+0¾	12.11
Ford Motor Cred 11⅝ 95	100	94⅛	94⅝	+0¼	+1⅜	12.64
IBM Credit 10⅜ 2000	300	96⅝	97⅛	+0⅝	+1	10.80
IBM Credit Corp 11¾ 87	200	101⅞	102⅜	0	+1	10.67
Indust Bk Japan 12⅞ 89	100	103¼	103¾	+0¾	+1⅝	11.78
Indust Bk Japan 13⅞ 91	125	107¼	107¾	+0⅝	+1⅝	12.06
Int-Am Dev Bk 12¾ 91	150	101½	102	+0½	+1⅛	12.31
Japan Air Lines 13⅜ 94	160	* 108½	109	+0⅜	+0½	11.75
Kellogg Company 10⅞ 90	100	97⅞	98⅜	+0½	+1⅜	11.39
Kellogg Company 11¼ 92	100	100⅛	100⅝	+0½	+1½	11.15
L.T.C.B. 12⅞ 91	100	102¾	103¼	+0⅝	+1¼	12.15
Macy Cred Corp 11¾ 95	100	† 100	101	+5¼	+4¾	11.65
Mellon Bank 13 87	100	* 102¾	103¼	+0⅝	+0¾	11.42
Merrill Lynch 12¾ 89	100	† 101½	102	−0¼	+0½	12.17
Minnesota 11½ 87	100	100⅜	100⅞	0	+0⅝	11.13
Mitsubishi Corp 13¼ 89	100	105⅞	106⅜	0	+0⅞	11.34
Montagu 13¼ 91	100	† 103¾	104¼	+0¾	+1¾	12.27
Morgan Guaranty 12⅜ 89	150	† 101½	102	+0⅜	+1⅛	11.80
Nippon Cred Bk 13⅞ 89	100	105½	106	+0⅝	+1⅜	12.03
Nth America 12⅞ 91	100	102⅝	103⅛	+0⅛	+1¼	12.17
Penney J.C. 12¾ 91	100	† 103	103½	+0¼	+1¼	11.98
Pru Realty secs 12⅛ 95	546	100½	101	+0½	+0¾	11.97
Quebec Hydro 11½ 92	100	† 96⅛	96⅝	+0⅝	+1	12.22
Ralston Purina 12¾ 89	100	102⅜	102⅞	+0¼	+1	11.92
Royal Bk Can 12¾ 92 XW	100	† 100⅛	100⅝	+0¾	+1½	12.64
Saskatchewan 10 3/4 92	100	93⅞	94⅜	+0¼	+1⅜	12.04
Saskatchewan 11 7/8 89	100	† 101⅜	101⅞	+1⅛	+1⅞	11.36
S.N.C.F. 12⅜ 92 XW	100	99¾	100¼	+1⅛	+1⅝	12.34
Statoil 12 88	100	102¼	102¾	+0⅛	+0⅞	10.98
Statoil 13½ 89	100	105¾	106¼	+0⅛	+0⅞	11.61
Swed Exp Cred 12¾ 88XW	100	† 102	102½	+0⅛	+1	12.01
Sweden Kingdom 11½ 89	200	99	99½	+0⅜	+1⅛	11.69
Sweden Kingdom 11¾ 94	100	98⅛	98⅝	+0⅜	+1⅛	12.02
Texaco Capital 12⅞ 87	300	† 102⅝	103⅛	+0¼	+0¾	11.36
Texaco Capital 13½ 89	200	104⅝	105⅛	+0½	+1⅜	11.94
Toronto Dom Bk 12½ 88	100	† 100	101	0	+0½	12.29
Walt Disney Pro 12½ 87	150	* 101⅞	102⅜	+0⅜	+0⅝	11.39
Weyerhaeuser 12¼ 87	150	101¼	101¾	0	+0⅞	11.46
World Bank 12¼ 94	150	101	101½	+0⅝	+1½	12.00
World Bank 12⅞ 94	200	103½	104	+0⅛	+1⅜	12.15

Average price change On day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	101¼	101¾	0	+1	7.76
Austria Republic 7⅝ 94	200	100	100½	0	+0½	7.58
Baxter Travenol 7¼ 94	200	98¾	99¼	+0½	+0¾	7.40
Credit National 8⅛ 94	200	102¼	102¾	+0¼	+1¼	7.72
Degussa Int Fin 7½ 94	100	101	101½	−0¼	+1	7.30
E.E.C. 8 92	200	101⅝	102⅛	−0⅛	+0⅝	7.63
Escom 8 92	150	101¼	101¾	+1	+1¾	7.71
Ferrovie Dello Stato 8 91	100	101⅝	102⅛	+0⅝	+1⅛	7.60
Finland Republic 7 92	200	97⅛	97⅝	−0⅜	+1⅜	7.50
Gould Int Fin 7⅝ 91	100	100¾	101¼	0	+1⅛	7.41
Ireland 8⅛ 92	150	101¾	102¼	+0¼	+1¼	7.74
Japan Fin Corp 7⅝ 91	100	101	101½	0	+0½	7.36
Mitsubishi Hvy 3½ 89WW	300	104¾	105¾	+0½	+0¾	2.12
Mitsubishi Hvy 3½ 89XW	300	90⅛	90⅞	0	+0¼	6.26
Mitsubishi Met 3⅛ 89WW	100	98¼	99¾	−0½	+0¾	3.36
Mitsubishi Met 3⅛ 89XW	100	84	85	0	+1¼	7.19
O.K.B. 7½ 88	100	99⅜	99⅞	−0⅝	+0⅛	7.60
Pepsico O/S Fin 7¼ 94	250	100	100¾	−0⅛	+0⅝	7.19
Renown 3⅛ 90	80	96⅛	96⅝	+0⅛	+0⅝	3.90
Reynolds O/S Fin 7⅜ 94	125	100⅞	101⅜	−0⅛	−0⅜	7.32
Societe Cent Nuclear 8 91	100	103	103½	−0½	−0¼	7.32
Sth Africa Rep 8½ 91	200	102¼	102¾	+0½	+1½	7.90
Sth African Tran 7⅝ 92	100	96½	97	0	+1½	8.28
World Bank 7¾ 89	100	100⅜	100⅞	0	+0½	7.59
World Bank 8 94	200	102⅝	103⅛	+0¼	+1¼	7.56

Average price change On day +0⅛ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101¼	101½	−0¼	−0¼	6.05
Asian Dev Bank 6⅛ 96	100	†* 100¼	100½	−0¼	−0¼	6.07
Avon Cap Corp 5⅜ 94	130	† 97½	97¾	+0½	+0½	5.70
Brit land Comp 6½ 99	75	†* 101	101¾	−0⅛	−0⅞	6.35
Council of Europe 6 92	120	† 99½	99¾	−0¾	−0¾	6.08
Creditanstalt 5½ 94	100	† 96¾	97	+0¾	+0½	5.93
Deutsche Bk Fin 5⅜ 95	100	†* 99	99¼	0	0	5.49
E.I.B. 5⅞ 94	120	† 99¼	99½	−0½	0	5.96
Eurofima 5 97	100	† 98¾	99	0	0	5.13
Eurofima 5¼ 96	100	† 99¼	99½	0	0	5.32
Export Dev Corp 5⅜ 92	125	†* 98½	98¾	0	0	5.60
First Boston Inc 5¾ 94	60	† 100½	100¾	+0¼	+1	5.66
Gen Occidentale 4½ 94	80	† 100¾	101	−0½	+0¼	4.38
I C Industries 5⅜ 94	125	† 98½	98¾	+0¾	+1	5.61
Ind Fund Fin 5¾ 94	40	† 99¼	99½	+0¼	+0¼	5.83
Int-Am Dev Bk 6⅛ 94	120	† 100	100¼	−0½	−1	6.10
New Zealand Govt 5¾ 94	150	† 101	101¼	+1⅜	+0¾	5.59
N.Zealand steel 5¾ 96	70	† 96½	96¾	−0½	−1	6.16
Oberos Kltwk 5⅜ 95	100	† 96¾	97	+0¼	+0¼	5.60
Ost Donaukraft 5⅜ 95	70	† 98½	98¾	+1¼	+1¾	5.56
Ralston Purina 5⅜ 94	125	† 98¼	98½	+0¼	+0¼	5.59
Santos Finance Ltd 6 94	130	† 97¼	97½	+0⅞	+1	6.37
Tokyo Elec Pwr 5½ 93	120	† 98¾	99	+2	+0¼	5.68
Tokyo Metropolis 5¼ 94	80	† 95½	96	−0⅜	+0⅛	5.83
World Bk 5¾ 94	150	† 99¼	99½	+0¾	+1	5.82

Average price change On day +0¼ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Corp 6¾ 91	10	97⅛	97⅝	0	+0⅝	7.25
BP Overzee 7 92	17	98⅞	99⅜	−0¼	+0¼	7.16
Dow Chemical 7 94	50	99⅜	99⅞	0	+0⅞	7.05
Fed Nat Mort 6⅞ 92	50	97¾	98¼	−0¼	−0¾	7.25
World Bank 6⅞ 94	20	95⅝	96⅛	0	+0⅛	7.22

Average price change On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AMEX 12¼ 91 C$	50	† 101½	102	0	+0¼	11.83
Aust Res Dev 11⅝ 92 C$	50	† 94¼	94¾	+0¼	+1⅝	12.86
Bk Of Tokyo 10⅞ 92 C$	75	† 99	99½	0	0	11.08
Denmark 11⅝ 91 C$	100	† 96¼	96¾	0	+0⅝	12.74
E.D.C 11½ 89 C$	100	† 97⅛	97⅝	+0⅞	+1⅜	12.23
IC Indust 12⅞ 95 C$	50	† 94⅞	95⅜	0	+0⅛	13.82
KB Ilma N.V. 12 92 C$	75	† 98½	99	0	+0⅜	12.26
Mn'l Urban 11¾ 95C$	75	† 93¼	93¾	0	−0¼	12.94
Gzo Und Bk 10½ 93 ECU	60	105¾	106¼	−0⅛	−0⅛	9.44
World BK 10¼ 89 ECU	125	105	105½	−0½	−0½	8.80
World Bk 10⅝ 94 ECU	75	106	106½	−0⅛	0	9.50
Akzo 7 90 FL	150	97¾	98¼	−0⅛	−0⅛	7.58
Algemene Bk 7¾ 89 FL	150	101¾	102¼	0	0	7.20
Amro Bank 7¼ 89 FL	150	98⅛	98⅝	−0⅛	0	7.66
Dai-ichi 8½ 89 FL	50	102	102½	+0⅛	+0⅛	7.85
Friesch-Gron 8¼ 89 FL	50	99⅝	100⅛	−0⅛	0	8.26
Charbonnages 13⅞ 85 FF	400	† 101¼	102¼	0	−0⅛	10.95
American Brands 12 95 £	40	105⅜	105⅞	−0¼	0	11.03
Amer Express 11⅜ 92 £	30	100¼	100¾	+0½	+1	11.27
B.A.T. Int'l 10¾ 91 £	100	99⅛	99⅝	−0⅛	0	10.86
CBS Inc 10⅞ 94 £	40	95⅞	96⅜	−0¼	+0⅛	11.54
Denmark 11⅞ 94 £	75	100⅝	101⅛	−0⅛	−0¼	11.69
Grand Met 10⅞ 90 £	50	96¼	96¾	−0¼	−0¼	11.74
ICI Finance 8½ 99 £	100	100⅝	101⅛	−0¼	−0¼	7.48
Norsk Hydro 11⅝ 91 £	50	103⅜	103⅞	−0¼	+0⅛	10.76
Reed Int'l 11⅜ 94 £	30	96	96½	−0⅛	+0⅛	12.03
Ryl Bk Canada 10⅞ 91 £	40	96½	97	−0⅛	+0⅛	11.57
Royal Trustco 11⅜ 90 £	30	98⅜	98⅞	−	−	11.75
Swed Exp Cred 11⅜ 92 £	50	98⅞	99⅜	−0¼	0	11.56
United Tech 11¾ 89 £	35	102⅜	102⅞	−0⅜	+0⅛	10.93
World Bank 10 5/8 89 £	50	98¼	98¾	−0⅛	0	11.02
World Bank 11 94 £	50	99	99½	−0⅛	−0⅛	11.26
E.C.S.C. 10½ 94LF	100	101½	102½	−0⅛	0	10.14
Nat Lux Alum 10½ 92 LF	600	102½	103½	−0⅛	−0⅜	9.89

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100	100¼	7/4	11.69	11.67
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	29/6	8.81	8.79
Bank of Montreal 5 98	0⅛	100¼	100½	26/4	8½	8.47
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/5	9.31	9.25
Barclays O/S Inv 5 2004	0⅛	100⅛	100⅜	2/3	12.31	12.28
Belgium 5 2004	0⅛	† 100¼	100½	11/4	13⅛	13.08
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/3	12.19	12.14
B.N.P. 5¼ 95 (July)	0¼	† 99⅞	100⅛	22/7	9⅛	9.13
Chase Man'tn 5¼ 2009	0⅛	† 99⅞	100⅛	5/3	9.56	9.56
Citicorp O/S 5¼ 96 Sep	0⅛	99¾	100	19/12	11.19	11.20
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/4	11¾	11.68
Dai-Ichi Kangyo 5¼ 96	0⅛	† 100¼	100½	13/5	10.66	10.62
Dresdner Fin 5¾ 89	0	99⅞	100⅛	23/2	9.81	9.81
E.D.F. 5¼ 99	0⅛	† 100⅞	101⅛	22/2	12⅜	12.25
Ireland 5¼ 99	0	† 100	100¼	14/3	12⅜	12.36
Italy, Republic 5 94	0⅛	† 100	100¼	8/5	9.94	9.92
Lloyds Euro 5 2004	0⅛	100⅛	100⅜	18/4	11½	11.47
Midland Int Fin 5 99	0⅛	† 100⅛	100⅜	6/3	12⅜	12.34
Mort Bk Denmark 5¼ 99+	0⅛	† 100⅜	100⅝	11/4	8.56	8.52
Nat West-Perp 5 89	0⅜	101	101¼	13/5	10⅜	10.25
Queensland Coal 5¼ 96	0¼	† 100⅜	100⅝	9/5	10.66	10.61
Sweden Perp 5¼ 85	0¼	100⅛	100⅜	9/7	9.44	9.41
Takugin 5¼ 94	0⅛	100¼	100½	15/3	12¼	12.20
Tokai 5¼ 99	0⅛	†* 100½	101	12/6	9.94	9.86
Toyo 5¼ 99	0⅛	100¼	100½	14/6	8.81	8.78

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	93¼	94¼	+2¼	0.39
Fanuc 3¾ 98	1/84	7032.3	100¾	102	+0¼	37.75
Fujitsu 3 99	5/84	1320.9	91¼	92¼	0	18.39
Konishiroku Photo 4 98	10/83	673	96¼	97¼	0	2.82
Kumagai Gumi 3½ 2000	3/85	600	98¾	99¾	−0½	−5.36
Marui 3½ 99	7/84	1162	83½	84½	−0⅜	1.72
Minebea Co Ltd 5½ 98	5/83	867	88¼	89¼	+1¼	−0.12
Mitsubishi Elec 2⅞ 00	3/85	422	94	95	+0⅞	−1.82
Murata 3½ 99	2/84	2351.2	111¼	112¼	−0½	27.78
Murata 3½ 2000	7/84	2398	109⅜	110⅜	+0⅛	29.05
Nippon Elec 2⅞ 2000	1/85	1295	87½	88½	+0¾	28.15
Nippon Oil Co 3¼ 99	3/84	1052	85¼	86¼	−1¼	7.94
Oki Elec Ind 3½ 99	10/84	805	86⅜	87⅜	+0⅛	13.46
Orient Leasing 5¼ 98	9/83	2580	107¾	108¾	−1⅜	−4.70
Sekisui House 3 99	6/84	612	87⅞	88⅞	−0⅜	1.85
Sumitomo Corp 2⅞ 99	5/84	593	99¼	100¼	+0¾	−0.73
Taiyo Yuden 3¼ 2000	3/85	1078	100½	101½	−0⅜	−1.05
Takeda Riken 3⅜ 2000	10/84	7663	95	96½	−0⅜	2.45
Tokyo Sanyo Elec 3½ 99	12/84	772	94¼	95¼	+3¼	7.17
Yamanouchi Pharm'cal 4 90	10/83	1483.2	251	252	+3	−3.52
Nippon Oil Co 2⅛ 92 SF	3/84	1052	† 105	107	+2¼	11.38
Nippon Shinpan Co 2 92 SF	3/84	801	† 93¼	95¼	+0⅜	26.79
Sedsu Paper 2¼ 92 SF	4/84	677	† 158½	160½	0	3.19
Aeroa 5 92 DM	12/83	520	102⅜	103⅜	+0¼	31.24
Sum Realty 6¼ 92 DM	2/83	365	286¾	288¼	+9½	10.48

* No information available–previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate for U.S. dollars. C.cpn – current coupon. C.yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.